# FINANCIAL TIMES

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**S. African economy: brain drain threat to future, Page 23**

World news

## French right's election victory

FRANCE's main conservative parties emerged last night as the clear winners of the first major electoral contest since the victory of the right in last March's parliamentary elections.

The conservative parties consolidated their majority in the Senate in yesterday's elections which involved the renewal of 120 of the 380 seats in the upper house of the French Parliament.

In a separate National Assembly by-election in the Haute-Garonne, the right-wing led by Mr Dominique Baudis, mayor of Toulouse, polled 46 per cent of the vote ahead of the 37.4 per cent polled by the Socialists led by Mr Lionel Jospin, the party's first secretary, according to early computer projections. Page 2

### Johannesburg blast

A grenade exploded at the entrance to a multiracial night club in a Johannesburg suburb. A white man was seriously injured and two other people were slightly hurt.

### Beirut fighting erupts

Sporadic shelling erupted in east Beirut after Saturday's battle between rival Christian militias in which at least 30 people were reported killed. Two French soldiers with the UN peace-keeping force in south Lebanon were slightly wounded by a roadside bomb. Page 2

### Israel names mayors

Israel appointed Palestinian mayors in Hebron, Ramallah and El Bireh, three cities in the occupied West Bank, to replace Israelis. All are known to be pro-Jordanian moderates. Page 2

### Turkish by-election

Prime Minister Turgut Ozal's conservative Motherland Party appeared likely to win a majority of 11 parliamentary by-elections in Turkey, but without an overwhelming popular vote, early results showed.

### Shipping chief sacked

The head of the Soviet Merchant Marine Ministry has been removed from his post less than a month after a Soviet liner sank in the Black Sea with the loss of almost 40 lives.

### Refugees turned back

Bulgaria turned back busloads of Third World refugees on their way to West Berlin by a roundabout route through Eastern Europe. Bonn had asked for Bulgarian help. Page 2

### Manila peace hopes

A ceasefire of 30 days or longer proposed by communist negotiators seems to have broken a deadlock in peace talks aimed at ending the 17-year-old guerrilla war in the Philippines.

### Mercenaries jailed

Briton Peter Gibbery and Frenchman Claude Chaffard were jailed for five years in Costa Rica as mercenaries fighting for the US-backed Contras against the Nicaragua Government.

### Floods hit Calcutta

Torrential rains which caused widespread flooding in Calcutta killed 18 people and left 650,000 homeless. Floods in Bangladesh left 100,000 homeless and killed at least 10.

### Basques fight police

Spanish riot police firing tear gas and rubber bullets fought street battles with hundreds of Basque demonstrators in San Sebastian and Pamplona. Streets were blocked as crowds tried to mark the anniversary of the execution of two Basque militants.

### Australia win

Australian golfers beat Japan 3-0 on the St Andrews Old Course in Scotland to retain the million-dollar Dunhill Cup nations championship. Each member of the winning team collected $100,000.

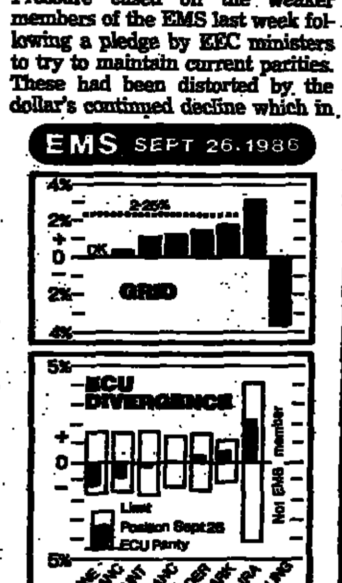
Business summary

## TSB offer eight times subscribed

TSB Group flotation has been so heavy that applicants other than preferential ones will stand no more than a 50-50 chance of receiving shares. Page 9

GEC and Plessey, UK's biggest makers of telecommunications equipment which have until recently been locked in a bitter takeover battle, have begun talks on establishing a joint subsidiary. Page 10

EUROPEAN Monetary System: Pressure eased on the weaker members of the EMS last week following a pledge by EEC ministers to try to maintain current parities. These had been distorted by the dollar's continued decline which in turn pushed the D-Mark firmer. The Danish krone remained the weakest currency but was fixed at only 36 per cent of its maximum divergence on Friday compared with 72 per cent the previous week.




*The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.*

TOKYO: The Nikkei index jumped 220.23 to 18,181.21 in Saturday's half-day session. Leading prices, Page 31

ITALY had a record month trade surplus of L2.1bn ($1.5m) in August. Page 2

PERU announced it would devalue early next year and end many price controls. It has again refused to make interest payments to creditor banks. Page 4

CHINESE leader Deng Xiao-Ping has suggested a fourfold increase in trade with Japan and has taken a more conciliatory position on Japan's surplus. Page 5

INTERNATIONAL FEDERATION of Stock Exchanges, a group of exchanges from 27 countries, is to examine methods of more effectively regulating the growing volume of international securities business. Page 21.

PHARMACIA, Swedish pharmaceuticals and biotechnology group, plans to set up a genetic engineering research and development subsidiary in La Jolla, California. Page 21

OLIVETTI, Italian electronics group, plans to expand long-term research by setting up three new laboratories in Britain and the US. Page 11

COCKERILL-SAMBRE, Belgium's troubled steelmaker, has partially stopped production for three days and laid off 7,000 workers for the period in a move to cut costs. Page 21.

QUAKER OATS, Chicago food company, has offered $782m for Anderson, Clayton, and is asking the courts to block a rival bid from Ralston Purina, one of its biggest competitors. Page 19

OMV, Austria's state oil and gas group, will offer shares to the public early next year as part of the Government's plans to restructure the nationalised industries. Page 21

VONS COMPANIES, southern Californian supermarket chain acquired by an investor group nine months ago, is to take over Allied Supermarkets of Detroit in a $880m deal. Page 19

# Industrial countries fail to agree on exchange rate plan

BY STEWART FLEMING AND PHILIP STEPHENS IN WASHINGTON

FINANCE ministers and central bankers of the major industrial countries sought yesterday to play down their differences after failing to agree during 10 hours of talks on Friday and Saturday, on immediate action to stabilise exchange rates or reduce interest rates.

They were talking before the opening in Washington tomorrow of the annual general meetings of the International Monetary Fund and the World Bank.

European central bankers tried to minimise the risks of a turbulent reaction in financial markets by suggesting that they and perhaps the Japanese would intervene if the dollar came under severe pressure when the foreign exchange markets open today.

The US, however, gave no indication that it was prepared to join any intervention pact and it was unclear whether European central banks would go beyond action to preserve parities in the EMS.

Mr James Baker, US Treasury Secretary, however, gave no sign yesterday that the US would start once again to talk down the value of the dollar as it did two weeks ago.

Mr Baker expressed optimism about the prospects for faster growth in the US. But he warned that trade and current account imbalances in the world economy were rising, adding that the US current account deficit could hit $140bn this year.

"While projections suggest some reductions in those imbalances in 1987," Mr Baker said, referring to West German and Japanese current account surpluses and the US deficit, "they may well increase again in 1988 and remain at politically and economically unacceptable levels."

Mr Paul Volcker, chairman of the Federal Reserve Board, echoed this sentiment when he said he preferred that trade imbalances should be adjusted in ways other than through foreign exchange.

Mr Baker recently sought to intensify the pressure on West Germany and Japan to take additional action to stimulate their economies by lowering interest rates.

Interviewed on US television, Mr Baker, in spite of repeated questioning, steadfastly refused to comment on the Reagan Administration's dollar strategy.

"I am not going to comment here on the dollar," Mr Baker said when asked if he thought a further decline in the value of the US currency was needed to help reduce the US trade deficit. "I am not going to get into that debate ... because every time we say anything about the dollar, there are very major reactions out there in the financial markets."

Asked whether in fact he had "failed" to achieve his objectives during the meetings of both the Group of Five and the Group of Seven industrial powers, Mr Baker, too, sought to emphasise the importance he attached to the fact that officials had had a constructive debate about the medium-term prospects for the world economy.

"We are really dealing in these meetings as much with the medium and long-term economic outlook and picture as we are in short term gratification ... This is a healthy debate that we have had and it will continue."

Mr Gerhard Stoltenberg, West Germany's Finance Minister, also emphasised the degree of accord between the group of seven – the US, Japan, West Germany, France, Britain, Canada and Italy – on medium-term objectives for the world economy.

"There is agreement on major issues, on overall strategy, but not agreement on each segment of (possible) action," Mr Stoltenberg said. That view was echoed in the communique released by the Group of Seven.

"The ministers agreed that co-operative efforts need to be intensified in order to reduce the imbalances in the context of an open, growing world economy," it said.

The communique added that the imbalances – the huge US current account deficit and the parallel surpluses in Japan and West Germany – should be tackled through action in surplus countries to sustain and possibly accelerate economic growth and in the US, through reductions in the budget deficit.

Group of 7, Page 4

# IMF forecasts 'sizable' deficit for Britain

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE International Monetary Fund (IMF) forecast yesterday that Britain faces a current account deficit next year for the first time since 1979 and that within five years the shortfall will be "sizable."

The forecast, in the fund's World Economic Outlook, came as Mr Nigel Lawson, the British Chancellor of the Exchequer, criticised "an almost unhealthy preoccupation" in financial markets and the press with "very short-term concerns."

Mr Lawson told the IMF's policy-making interim committee that an impressive consensus on macro-economic policy was emerging in major industrial countries, which had been obscured by short-term focus on interest and exchange rates.

The IMF forecast is for a $1.3bn current account deficit in Britain next year after a projected surplus of $2.2bn in 1986. Looking further ahead to 1991 the fund says: "The position of the United Kingdom is projected to shift from a small surplus in 1986 to a sizable deficit."

That forecast comes after the publication of British balance of payments figures last week which showed record trade and current account deficits in August. The figures were widely regarded as erratically bad, but confirmed a strong upward trend in the pace of import growth in Britain, which had previously been masked by the buoyancy of export earnings from North Sea oil.

The trade figures added to pressure on the pound last week, forcing intervention by the Bank of England to defend the currency and prompting speculation in financial markets that Britain could be forced to raise interest rates.

The IMF report also predicts relatively sluggish economic growth in Britain next year, although it says that inflation should remain subdued. Its projection is for real growth of 2.5 per cent in 1987 following an increase of 2.4 per cent in 1986 and compared with the expected average in industrial countries next year of 3.1 per cent.

Inflation, as measured by the GNP deflator, is forecast to fall fractionally to 3.7 per cent in 1987 from 3.8 per cent this year, but will remain slightly above the industrial country average of 3.1 per cent.

In his speech to the interim committee, Mr Lawson signalled his concern to promote stability on the foreign exchange markets.

Lex, Page 18; IMF meeting, Page 4

# Peking redefines socialism in landmark guideline for reform

BY ROBERT THOMSON IN PEKING

CHINA'S ruling Communist Party yesterday issued landmark guidelines in support of its open-door economic reform, which has recently come under fire from conservative officials.

The document is one of the most important statements on reform since the programme gathered momentum in the late 1970s.

The statement was seen by diplomats in Peking as both a means of providing for further reform and of deflecting criticism by officials who have complained about a loss of political direction at a time of growing material wealth. The document also promised that the Government will address the issue of political reform.

"They need to provide an overall framework for reform," a Western diplomat said. "They couldn't go on introducing reforms without addressing the question of ideology. Really, the concept of communism is undergoing reform."

The sometimes vague document, called "Resolution on guiding principles for building socialist society with advanced culture and ideology," reflects the aims of the present pragmatic leadership, through it includes concessions to conservative leaders who are less enamoured with reform.

Party officials are told to "take economic development as the key link," and that "Socialist ethics means essentially love of the motherland, the people, labour, science and socialism," while "we shall on no account regard egalitarianism as an ethical principle in our society."

The document pledges that the Government will continue to introduce reforms and will tackle the sensitive question of political reform, which has been raised in recent months, though the kind of reform the Government has in mind has not been clearly defined.

Several other politically sensitive issues were touched on including the policy of allowing some Chinese to get rich more quickly than others, a policy that the document says will stay in place. Conservative leaders are known to be unhappy that some individuals and some regions of the country have left others behind, creating an unfair distribution of resources.

The document makes clear that the Government has no intention of changing the "open door" policy, but embodies the conservatives' concerns that ideological study has been allowed to lapse and that the side-effects of the "open door," such as prostitution and pornography, need to be tackled with greater vigour.

As such, the document is a measure of the political strength of pragmatists under the leadership of Deng Xiaoping, and formally repudiates Maoist concepts such as "taking class struggle as the key link." The document also suggests that the "principal contradiction in Chinese society" is basically that material demand exceeds supply.

The works of Karl Marx will continue to be the major source of ideological inspiration, although the document has codified the present policy of taking a flexible attitude to his writings, and, as the document put it, disposing of "ossified" concepts.

Sino-Soviet relations, Page 3

# Nuclear policy boost for UK Labour Party

BY PETER RIDDELL, PHILIP BASSETT AND MICHAEL CASSELL

THE LABOUR PARTY conference opened in Blackpool last night in a spirit of optimism and unity not seen for many years following a compromise on the major divisive issue of civil nuclear power.

The only squalls were over Labour's defence plans and a sharp exchange over tax involving Mr Roy Hattersley, the Shadow Chancellor of the Exchequer, and Mr David Blunkett, the leader of Sheffield City Council.

After lengthy wrangling the National Executive Committee agreed an approach of gradually diminishing dependence on nuclear power stations which Mr Neil Kinnock, the Labour leader, said yesterday might realistically last "up to or probably just over 20 years."

This view was reconciled by the national executive with a National Union of Mineworkers (NUM) resolution calling on the next Labour Government to halt the nuclear programme. A gloss was eventually adopted recognising a lengthy phasing-out period.

The other main topic of the week will be defence following the recent warning by Mr Caspar Weinberger, the US Defence Secretary, that Labour's call for the closure of US nuclear bases in Britain could seriously weaken Nato.

Mr Kinnock reaffirmed in a BBC interview yesterday that Labour's policy would remain and he went significantly further in saying that he would also reject the US nuclear umbrella even without bases in Britain. He said he would not ask the US to provide nuclear protection which would obliterate Europe.

"If we are not prepared to use the weapons system ourselves we certainly wouldn't be asking anyone else to jeopardise themselves. I think it would be immoral to do so."

This point is likely to be seized upon by Conservative Party leaders who argue that Labour might jeopardise the Atlantic alliance.

Mr Kinnock said that despite Mr Weinberger's comments, he was sure the Reagan Administration understood that "if an ally were to try to subordinate the decision of a democratically elected government in an allied country that has a clear mandate, then that would invalidate the very principles of democracy on which Nato is founded."

Last week the Liberal Party conference rejected a call by its leader Mr David Steel to maintain a nuclear deterrent in the UK. A similar call was earlier backed by the Social Democrats, the other half of the Alliance.

The sole stir among Labour yesterday came when Mr Blunkett, a prominent member of the left who has recently been under criticism for being too supportive of the leadership, challenged Mr Hattersley's view that only the top 5 per cent of wage earners earning more than £27,000 a year would have to pay more under Labour's plans and the average burden would be unchanged.

Continued on Page 18

Conference preview, Page 9

# China, De Beers link in diamond venture

BY STEFAN WAGSTYL IN LONDON

CHINA has signed a secret joint prospecting venture with a company controlled by De Beers, the South African diamond mining and marketing group.

The disclosure could be politically embarrassing for the Chinese Government which has often publicly foresworn links with South Africa and cast itself as a champion of Third World opposition to apartheid.

Under the joint venture signed last year, a De Beers group company and the Chinese Ministry of Geology and Mineral Resources are prospecting for diamonds together in Shandong province, source of most of China's diamonds.

The Central Selling Organisation (CSO), De Beers' London-based marketing arm, last week said that Chichester Diamonds Services (UK) was the company involved in the venture.

The CSO said Chichester was "a small loose associate" and declined to give details of its exact ownership. But it is clear that the group regards Chichester as important – Chichester's directors are Mr Derek Finn, a CSO director, Mr Peter Gallegos, a senior CSO executive, and Mr John Hawthorne, one of De Beers' top two consulting geologists.

De Beers has gone to some lengths to disguise its links with the Chinese venture. Chichester is reg-

Continued on Page 18

# Dealers put to test in Big Bang rehearsal

By George Graham in London

THE City of London on a Saturday morning can usually boast nothing more agitated than a tourist who has lost the way to St Paul's Cathedral.

Over the weekend, however, adrenalin was pumping in dealing rooms around the City as the players in the gilt-edged government bond market tested their computer systems and their trading skills in a full-scale dress rehearsal for the era that will follow "Big Bang" on October 27.

In the new system, the separation of stockbroker from stockjobber will disappear and the gilts market will expand to be made up of 27 primary dealers, trading with each other through the offices of inter-dealer brokers (IDB's) as well as directly with investors.

Any fears that the dealers would not be able to take the rehearsal seriously with no real money at stake were soon dispelled. As the Bank of England bombarded the market with more announcements in the space of two hours than it would usually have to cope with in a month, the urge to trade soon took over.

The Bank of England certainly threw enough at the market to keep the dealers busy. With a simulated cut in the US discount rate on Friday night, the market makers quickly bought all £500m of a new stock the Bank was offering on tap.

"We missed and we are short," said Mr Simon Hartnell, in charge of dealing at Alexanders Laing and Cruickshank, one of the 27 market makers, who bid for the tap below the price at which the Bank supplied stock.

"Never mind, wait for the bad statistics to come out."

At 9.30 am, the Bank announced the UK money supply statistics. Sterling M3 rose by 0 to ¼ per cent and bank lending was only £1.5bn, better than the market was expecting and a world away from what is anticipated in real life.

"Good figures" is the cry around the Alexanders dealing room, but gilts prices remained stuck at the level at which the tap stock was sold earlier in the morning.

The Bank was encouraged, however, and within 20 minutes bank base rates came down by half a percentage point to 9½ per cent.

As prices began to climb again, barely another 20 minutes passed before the Bank announced that inflation had accelerated to a rate of 2.9 per cent and the public sector borrowing requirement had

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London newcomers, Page 10; Gilts, Page 20



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# OVERSEAS NEWS

## Weinberger makes tough demands on arms control

BY NANCY DUNNE IN WASHINGTON

MR CASPAR WEINBERGER, the US Defence Secretary, yesterday laid down tough demands for verification procedures in any new arms-control agreements reached with the Soviet Union because of what he called the Russians' "record of cheating."

Mr Weinberger, who usually represents the Pentagon's hard-line views and not necessarily those of the Administration, also expressed doubt that the superpowers were any closer to *agreement on medium-range* missiles in Europe than any other weapons agreement, all of which he said have difficulties to be resolved.

In contrast, Mr Hans-Dietrich Genscher, the West German Foreign Minister, said yesterday the superpowers were closer to an agreement on limiting medium-range nuclear missiles than they have ever been.

Mr Genscher made the comment on his return from New York, where he had talks with Mr George Shultz, US Secretary of State and Mr Eduard Shevardnadze, the Soviet Foreign Minister.

Medium-range missiles are under discussion in Geneva along with long-range arms and space and defensive systems. The US Administration has moved closer to the Soviet view on intermediate missiles, proposing a global limit of 200 on *the total number of warheads.* Of these, 100 warheads could be on American and Soviet medium-range missiles within range of Europe.

In any agreement, the US would have to insist on verification procedures on Soviet soil so "we can look into factories," Mr Weinberger said.

He spurned any acceptance of verification procedures like those recently approved in the Stockholm conference on confidence and security-building measures and disarmament. The Soviets agreed to aerial observation of troop movements but only by outside observers flying on Russian aircraft.

Like other senior Administration officials, Mr Weinberger expressed the view that no summit could take place unless the Soviet Union "releases that innocent American held on these outrageous charges"—*Mr Nicholas Daniloff, the journalist* charged by the Russian with spying.

● In an unprecedented break with secrecy, the Soviet Union at the weekend opened parts of its main nuclear test site in the Gegelan Hills in Central Asia for its first known inspection by foreigners, Reuter reports. The aim was to show that the site has fallen into disuse

## Plan to rush refugees to Berlin foiled

WEST GERMANY appears to have thwarted a bid to rush 27,000 Third World refugees into West Berlin via communist Eastern Europe, the Foreign Ministry said yesterday, Reuter reports from Bonn.

The plan involved ferrying 600 coachloads of asylum-seekers from Turkey to Bulgaria and from there to West Berlin.

Bulgarian authorities told Bonn that the first busloads had been turned back at the Turkish frontier and that refugees *would not be allowed to cross* Bulgarian territory unless they had valid West German entry visas.

## Ruling coalition faces split in W. German election

BY PETER BRUCE IN NUREMBERG

A POTENTIALLY serious political problem faces Mr Helmut Kohl, the West German Chancellor, after it emerged this weekend that his Christian Democrat Party (CDU) and its Bavarian sister party, the Christian Social Union (CSU) led by Mr Franz Josef Strauss, had failed to produce a joint programme for January's general election.

At the same time, the country's radical Greens Party, torn by the possibility of having to help maintain a minority Social Democratic (SPD) government after the election, ended a chaotic conference here yesterday hopelessly divided over the prospect.

Mr Strauss made it clear in interviews at the weekend that the CSU, for the first time, would go into a federal election with a programme different from the CDU's.

It would in most respects resemble the one being drawn up by the CDU but with a number of foreign policy positions aimed at toppling Mr Hans Dietrich Genscher, the Foreign Minister.

In Nuremburg, 640 Greens delegates spent eight hours on Saturday night and yesterday afternoon arguing whether to leave open until after the election the possibility of negotiations with the SPD the election of an SPD chancellor. Hard left

## Christian militia penetrates Green Line

By Nora Boustany in Beirut

AN ASSAULT by pro-Syrian rebel Christian *militiamen* into East Beirut from the Moslem sector this weekend shattered the notion that the Green Line dividing the Lebanese capital was impenetrable.

The fighting, the worst in Christian areas since January, left more than 30 dead and scores wounded. The thrust across a swathe of no-man's *land separating Moslem* and Christian areas was unprecedented since 1976.

The attack by supporters of thet ousted former Christian militia commander Elie Hobeika, a close Syrian ally, was apparently repulsed.

The rival Lebanese forces militaia, commanded by Col Samir Geagea, accused the chief of Syrian military intelligence in Lebanon, Brig *Ghazi* Kanaan, of masterminding the thrust and charged the Moslem Shiite Amal militia and the pro-Syrian Baath Party of complicity. Brig Kanaan, as well as Amal and Baath leaders, denied the accusations.

However,it is hard to believe that Col Hobeika's fighters, expelled from Christian areas during inter-Christian battles earlier this year over acceptance of a Syrian engineered militia accord, could have infiltrated through the Moslem edge of the Green Line without assistance from Moslem militias or the knowledge of Syrian military observers.

The Lebanese forces, or Christian militias led by Col Geagea, clamed they had captured Moslem fighters among the attackers but none have been produced so far.

The hostilities had not ended late yesterday, as shelling across the mid-city divide struck deep into residential neighbourhoods in Christian and Moslem areas.

Reuter reports: Two Frenchmen with United Nations peacekeeping troops in Lebanon were wounded yesterday when a roadside bomb exploded beside their convoy, a UN spokesman said.

The blast occurred just north of Altit near a UN outpost

## Sydney protest over warships

ANTI-NUCLEAR protesters hope to disrupt today's arrival of more than two *dozen* foreign warships in Sydney harbour, part of the Royal Australian Navy's 75th anniversary celebrations, writes Chris Sherwell in Sydney.

The protesters are planning both marine and land demonstrations. They claim that some of the ships, including the British aircraft carrier, HMS Illustrious, pose a threat because they are carrying nuclear weapons or are nuclear-powered.

A successful disruption of the ships' arrival would draw further attention to the West's security problems in the South Pacific region.

## West Bank towns to get Arab mayors

BY ANDREW WHITLEY IN JERUSALEM

THREE important towns in the Israeli-occupied West Bank—Hebron, Ramallah and El-Bireh—are to be returned to local Arab government with Palestinian mayors, Israel announced yesterday.

The Israeli militaryrun Civil Administration for Judea and Samaria—the biblical names for the West Bank region—named three *pro-Jordanian* notables from the towns to replace Israeli officials.

The appointments mark the resumption of Prime Minister Shimon Peres's policy of granting a limited degree of local autonomy to the 1.3m Palestinians living under Israeli rule. The autonomy plan was suspended last March following the assassination of Mr Zafar al-Masri, the newly-appointed mayor of Nablus, the leading West Bank city.

Hebron, the second largest municipality with a population of 60,000 and a hotbed of Palestinian nationalism, has been run by an Israeli army officer since its elected Arab mayor was deposed in 1983. The mayors of Ramallah and El-Bireh were removed from office in 1981 and 1982 respectively, in response to their criticsm of the army.

Israel has consistently refused to hold elections in the West Bank or Gaza since 1976 for fear that pro-Palestine Liberation Organisation activists would be returned. It is thought that Jordan, similarly anxious to *squeeze out* the PLO's influence, secretly backs their stance.

All three of the men appointed yesterday are known Jordanian sympathisers. They are Dr Abdel Mejid Zir in Hebron, Mr Khalil Musa Khalil in El-Bireh and Mr Hassan el-Tawil in Ramallah.

## French conservatives win electoral contest

BY PAUL BETTS IN PARIS

FRANCE'S main conservative parties emerged last night as the clear winners of the first major electoral contest since the victory of the right in last March's parliamentary elections.

The conservative parties consolidated their majority in the Senate in yesterday's elections which involved the renewal of one third or a *total of 120 of the 300 seats in the* upper house of the French Parliament.

In a separate National Assembly by-election in the Haute-Garonne, the right-wing list led by Mr Dominique *Baudis*, mayor of *Toulouse*, polled 46 per cent of the vote ahead of the 37.4 per cent polled by the Socialists led by Mr Lionel Jospin, the party's first secretary, according to early computer projections.

The results of the by-elections are a relative setback for the Socialists who had hoped to score more than the 38 per cent they polled in the Haute-Garonne in the March elections.

The Socialists are hoping to retain four of the eight National Assembly seats involved in the by-election.

Computer predictions indicated that the Socialists could win three or four seats while the right could win four or five seats. If the Socialists fail to win four seats it would represent a personal setback for Mr Jospin and his position inside the party as first secretary.

The Haute-Garonne by-election was especially awaited as a key test of the electorate because, unlike the senatorial elections, it involved the first popular poll since last March. Senators are elected by a restricted electoral college of deputies and local councillors.

However, turnout in the by-election was disappointingly low – at 35 per cent compared with a 19.8 per cent abstention rate last March. The recent wave of terrorism in Paris does not appear to have had an impact in the by-election where the National Front polled 6 per cent and the Communists 6.4 per cent, according to computer projections last *night.*

The victory of the conservative parties and particularly of the neo-Gaullist RPR party of Mr Jacques Chirac, Prime Minister, in the senatorial elections, had been widely expected. This is because the electoral college reflected the advances of the right in regional and local elections since 1982.

Overall, the right sees its seats increase from 211 to 229 in the new Senate, while the left drops from 102 seats to 90 seats. For the first time in the Fifth Republic, the RPC with 77 seats has become the biggest party in the senate.

The centrist UDF coalition gained only one additional seat while the Socialists lost five seats and the Communists lost nine. However, the Communists just managed to retain a parliamentary group in the Senate. They declined from 24 seats to 15: the minimum to form a parliamentary group.

## Record Italian surplus

BY DAVID LANE IN ROME

ITALY'S trade balance enjoyed a record surplus of L2,105bn (£1.03bn) in August. Figures released by the National Statistical Institute show that the value of imports during the month was L7,315bn, against exports of L9,420bn.

August was the third consecutive month in which Italian visible trade has registered a surplus. Exports exceeded imports by L346bn in June and L1,220bn in July. Last month's result was a significant improvement on August last year, when a deficit of L411bn was recorded.

The trade figures are reflecting a beneficial impact of cheaper oil and a weaker dollar.

OVERSEAS NEWS

# Reagan facing sanctions clash with Congress

BY STEWART FLEMING, US EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan is facing a major confrontation with Congress on a key foreign policy issue following his decision on Friday to veto legislation which would have stiffened US sanctions against South Africa.

In announcing the veto of the sanctions bill, which had been overwhelmingly approved by both the Democratic-controlled House of Representatives and the Republican Senate, the President said that the US must "stay and build not cut and run" in South Africa.

"Are we truly helping the black people of South Africa — the lifelong victims of apartheid — when we throw them out of work."

Most political analysts believe that Mr Reagan is running the risk of a humiliating foreign policy defeat by refusing to endorse what is in effect the moderate sanctions package which the leaders of his own party in the Senate drafted.

Sanctions legislation passed both chambers of Congress with comfortably more than the two-thirds majorities which are needed to override a presidential veto.

Mr Reagan appears to be gambling either that he can swing 20 votes in the Senate and so block a veto override there, or that the Senate will not find enough time in its crowded legislative calendar to bring the issue to a vote before it goes into recess so that those members standing for re-election can hit the campaign trail.

The recess is tentatively scheduled for the end of this week but it is far from certain that it will meet this target.

That the White House itself knows that the President is facing an uphill struggle was underscored by the timing of the veto announcement on Friday, which was postponed until the major television network evening news reports had finished.

The Administration did not couple the veto announcement with new sanctions measures of its own. But it is widely anticipated that if the veto faces an over-ride vote in the Senate the White House may decided to toughen the mild sanctions it imposed a year ago under an emergency decree in the hope of weakening support for the congressional sanctions legislation.

Democratic congressmen who hope to exploit the decision by the Republican President in the mid-term elections in November, were quick to attack the decision.

It is a moot point, however, how much damage the President's decision will do to Republican candidates in the congressional elections, since many of those who might be vulnerable to criticism on the issue have themselves voted for the sanctions Bill and can argue that the President is acting in opposition to the majority view of his own party.

# Procter & Gamble breaks ties with South Africa

BY WILLIAM HALL IN NEW YORK

PROCTER & GAMBLE, the US household products group, has become the latest in a string of big US companies to break its ties with South Africa as evidence mounts that US companies are bowing to increasing pressure from major institutional investors to divest their South African operations.

Procter & Gamble, which acquired Richardson - Vicks' small South African operations as part of its $1.2bn (£835m) takeover of the parent, says that it has been reviewing all of the company's worldwide operations since last November's acquisition, and has decided to sell Richardson-Vicks' South African subsidiary to local management.

The group had no operations in South Africa prior to the acquisition and has concluded that "in the light of the political and social situation in South Africa, together with the current unsettled economic climate in that country, it is in the best interests of the corporation and its shareholders that it divests its South African subsidiary."

# China may help build Pakistan's N-bomb

By Simon Henderson

A NUCLEAR co-operation agreement between China and Pakistan could herald, despite denials, Chinese help for Pakistan's attempts to build a nuclear bomb.

Among the facilities involved in the agreement is Pakistan's secret uranium enrichment plant, according to its director, Dr Abdul Qader Khan.

The pact, signed in Peking last week, was described as being for the peaceful uses of nuclear energy, but comes just when US officials are extremely anxious about recent advances in Pakistan's secret nuclear weapons project.

Pakistan consistently denies that its nuclear research is for anything but peaceful purposes. Reacting to adverse comment on the pact, a Chinese official denied that China helped other countries develop nuclear weapons.

He emphasised that the International Atomic Energy Agency (IAEA), the United Nations watchdog on proliferation, would safeguard the agreement.

During 1982 and 1983, intelligence reports indicated a high level of co-operation between China and Pakistan. It was thought that China had provided Pakistan with the basic design of a nuclear bomb and may even have handed over some highly enriched uranium, a potential nuclear explosive.

The reports also said two Chinese scientists were discovered to be working at Dr Khan's enrichment plant at Kahuta, near Islamabad.

These reports led to a breakdown in the completion of a nuclear accord between the US and China, by which US nuclear power companies would be able to bid for up to $20bn (£13.8bn) worth of contracts, part of China's electrification programme.

The accord was only finalised last year after the US received better guarantees on Chinese attitudes towards nuclear proliferation.

Dr Khan would not be drawn, but noted that no individual Pakistani facility was mentioned in the agreement. He added: "The agreement covers all nuclear activities."

He denied that any Chinese scientists had ever worked at Kahuta, saying the reports were due to a misunderstanding.

Recent remarks by politicians reveal widely-held prejudices, **Ian Rodger** reports

# Japan's racism blunders into the open

JAPAN'S efforts to present itself as a more cosmopolitan, less insular society received serious setbacks when, twice in the past month, Japan's political leaders have been caught making derogatory remarks about foreign people.

Two weeks ago, Mr Masayoki Fujio, then the Education Minister, tried to discredit accepted accounts of Japanese atrocities in China and Korea in the Second World War.

Last week, the Prime Minister himself, Mr Yasuhiro Nakasone, said at a political party meeting that the average education level in the US was much lower than that in Japan because "in America, there are quite a few black people, Puerto Ricans and Mexicans."

Both gaffes produced instant outrage in the insulted countries, and, in both cases, the Japanese Government moved rapidly to apologise. Mr Nakasone fired Mr Fujio even before the magazine in which he made his unsavoury comments hit the streets. The Prime Minister rushed to issue a "heartfelt apology" for his own remarks on Friday night when it became apparent how many Americans were offended by his remarks.

It is difficult to think of another civilised country in the world today in which political leaders would make such remarks.

Perhaps Mr Fujio's comments can be dismissed as the anachronistic views of an old crank who was trying to embarrass Mr Nakasone because the Prime Minister had not offered him a more important Cabinet post. That, at least, is the more or less official explanation that has been offered. But it is odd, to say the least, to take revenge on someone by embarrassing the entire country.

**Japan still tries hard to prevent any intrusion into its racially pure society**

Moreover, Mr Fujio was a known crank and, in any other country, would probably not have made it into the Cabinet at all. Until he went over the top two weeks ago, it seemed that his regular ultra-nationalistic outbursts were tolerated because they reflected the views of many Japanese, or at least, Japanese of his generation.

Similarly, the Prime Minister's remarks—whatever may be affirmed or denied about the context in which they were made—reflected the widely held view that Japan's strength derives to a considerable extent from its racial purity. By implication, other, pluralist countries are, and always will be, inferior.

Usually, this latter part of the maxim is left unstated, but it is always there. Perhaps its most transparent expression—and it is astonishing that a campaign has not been launched to stop this—comes from small children.

When they see a foreigner, Japanese children, especially, but not exclusively in the countryside often point and say, "gaijin, gaijin." The word "gaijin" is a derogatory abbreviation of "gaikokujin," meaning "outside country person," and there can be little doubt about how small children learn to express such an attitude to foreigners.

More substantially, Japan still tries hard to prevent any intrusion into its racially pure society. (There are approximately 800,000 foreign resident in Japan of whom about 700,000 are Koreans.) Thousands of Korean families who have lived in the country for generations face discrimination in finding jobs and are still treated as aliens.

To anyone vaguely familiar with Japanese history, these attitudes may be understandable. But, as many Japanese leaders themselves have pointed out, they are no longer acceptable in a country that accounts for 10 per cent of the world's GNP and which relies so much on world trade for its prosperity.

**It is difficult to think of another country in which leaders would make such remarks**

Mr Nakasone is certainly conscious of the problem. He has been in the forefront of the drive to make Japanese behaviour, not only in trade, but also in human terms, more in harmony with that of the rest of the world.

But, so far, there is little evidence in Japan of any great campaign — along the lines of the civil rights campaign in the US, for example — to try to drive out old prejudices. On the contrary, many people seem to regard appeals by the Prime Minister and others that they become more cosmopolitan in the way they look at the high yen — as an additional, unwanted burden in their lives imposed by devious politicians to appease envious foreigners.

Ironically, the Prime Minister's offhand, unthinking remarks — apparently delivered in the heat and enthusiasm of a political meeting — show how difficult it is to shed old prejudices.

The Yomiuri Shimbun, the largest circulation newspaper in Japan and a strong supporter of Mr Nakasone and "internationalisation," said sadly in an editorial on Saturday:

"The current incident makes us feel that a nation made up of a single race lacks the sensitivity to fully grasp the racial problems of other countries."

Also sadly, there is no evidence yet that this incident will have any great effect. The Japanese media were very slow to notice its significance and even yesterday, after it had caused a serious threat to US-Japan relations, most newspapers and news programmes were far more interested in the latest leadership manoeuvres within one of the factions of the ruling Liberal Democratic Party.

# Polish leader in Peking talks

BY ROBERT THOMSON IN PEKING

GENERAL Wojciech Jaruzelski, the Polish leader, arrived in Peking yesterday for talks on political, cultural and trade ties. He is the most significant East European official to visit China since the Sino-Soviet schism of the early 1960s.

Diplomats say there is no doubt that the Polish leader would have sought Moscow's imprimatur before the visit, and noted that the General visited the Soviet capital before leaving on his Asian trip, which has included stops in Mongolia and North Korea.

Chinese leaders will be keen to discuss Moscow's drive for better relations, and are likely to use the visit as a guide to how far the Soviet Union is prepared to go to satisfy China's conditions for improved relations — the most important obstacle is Moscow's support for the Vietnamese occupation of Kampuchea.

Gen Jaruzelski has apparently irked the East Germans, as they had lined up an October visit for their leader, Erich Honecker, who seemed set to be the first head of one of Moscow's eastern allies to visit here in more than two decades.

China had been seeking closer ties with Eastern Europe in the early 1980s as a means of easing tension in its relations with the Soviet Union, after having previously and unsuccessfully tried to use Eastern Europe as a soap-box for criticism of Moscow.

# Sino-Soviet relations show signs of improvement

BY OUR PEKING CORRESPONDENT

THE Sino-Soviet dialogue has continued to gather momentum with the announcement that formal talks will begin next year, after a nine-year lapse, on settling the long-running border disputes between the two countries.

Agreement on a date for the talks was apparently reached during a meeting this week between Mr Wu Xueqian, the Chinese Foreign Minister, and Mr Eduard Shevardnadze, his Soviet counterpart, at the United Nations. Diplomats regard the agreement as a sign that relations between the two countries are continuing to thaw.

The Chinese news agency Xinhua says the two foreign ministers had "an extensive and frank exchange of views"




FINANCIAL TIMES

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# OVERSEAS NEWS

## FT writers report on the problems confronting financial leaders meeting this week

# Ministers aim to cut budget deficits

By Philip Stephens in Washington

FINANCE ministers of the Group of Seven industrial countries said at the weekend that they had agreed to intensify their co-operative efforts to reduce imbalances in the world economy, but made it clear they planned no immediate action on exchange or interest rates.

A communique released after the meeting of the US, Japan, West Germany, France, Britain, Canada and Italy said that there was broad agreement on generally favourable prospects for economic growth and low inflation in 1987, although unemployment would remain high.

"The ministers noted that the present scale of some current account imbalances cannot be sustained. The exchange rate changes since last year are making an important contribution towards redressing these imbalances," it said.

The ministers added they had agreed on the need to sustain and in some cases increase economic growth in countries with large current surpluses, while countries with major deficits "must follow policies which will foster significant reductions in their external deficits and they committed themselves, among other things, to make further progress in reducing their budget deficits in order to free resources to the external sector."

A separate note agreed by ministers but not published, makes it clear that there was no accord, however, on immediate action in financial markets.

The following is the statement issued by the finance ministers of the Group of Seven – the US, Japan, West Germany, Britain, France, Canada and Italy.

"1. The finance ministers of the seven major industrialised countries met today to conduct the first exercise of multilateral surveillance pursuant to the Tokyo Economic Declaration of their heads of state or government of May 6, 1986. The managing director of the International Monetary Fund also participated in this meeting.

"2. The ministers reviewed recent economic developments and their economic objectives and forecasts collectively, using a range of economic indicators, with a particular view to examining their mutual compatibility and to considering the need for remedial measures.

"3. The ministers noted that progress had been made in promoting steady, non-inflationary growth in their countries.

"4. There is broad agreement among the ministers on the economic outlook in their countries: prospects for further growth in 1987 are generally favourable, and more jobs will be created, although the level of unemployment will remain high in some countries.

"Inflation is likely to remain low. Interest rates have fallen with particular beneficial effects for indebted developing countries.

"5. However, the ministers noted that the present scale of some current account imbalances cannot be sustained. The exchange rate changes since last year are making an important contribution toward redressing these imbalances, and their full effects will increasingly come through in the period ahead.

"6. The ministers agreed that cooperative efforts need to be intensified in order to reduce the imbalances in the context of an open, growing world economy.

"They noted, in this connection, that economic growth in surplus countries was improving, but such growth will need to be sustained – and in some cases increased.

"Countries with major deficits must follow policies which will foster significant reductions in their external deficits, and they committed themselves, among other things, to make further progress in reducing their budget deficits in order to free resources to the external sector. These actions should help stabilise exchange rates, and all are necessary so that imbalances can be reduced significantly without significant exchange rate adjustment.

"7. In the circumstances, the ministers agreed that the policies of all the countries during the period immediately ahead should be formulated with the following objectives in mind:

● To continue to follow sound monetary policies supporting non-inflationary growth and contributing to international adjustment in order to help maintain the conditions for business confidence and for lower interest rates.

● To continue the process of removing structural rigidities in order to increase the long-term production potential of their economies, and to continue efforts to resist protectionist pressures.

"8. The ministers agreed that the major industrial countries bear a special responsibility to foster an open, growing world economy which is particularly important for the resolution of the international debt problem.

"9. In order to fulfil their responsibilities in the context of thorough implementation of the Tokyo Economic Declaration used to achieve the objectives set out above, they agreed to the close and continuous co-ordination of economic policy during the period ahead."

# Firmer line needed to cut trade imbalances

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE MAJOR shifts in exchange rates over the past 18 months have succeeded in partially reversing the trend towards ever larger trade imbalances between the US and Japan and West Germany, but will not be enough by themselves to restore a sustainable pattern of trade, the IMF says.

In its latest World Economic Outlook published yesterday the Fund says that the US dollar and the D-mark are now at their average levels between 1975 and 1984, while the yen is about 10 per cent higher.

The dollar's sharp depreciation since early 1985 will begin to have a favourable impact on the US current account deficit in 1987 and bring a further improvement in 1988 and beyond, while the Japanese and West German surpluses are forecast to show parallel declines.

The imbalance between the US and Japan in particular, however, will remain large unless the exchange rate changes are reinforced by policy action within and outside the US.

In its analysis of the medium-term outlook, the Fund says that the full beneficial impact of the dollar's depreciation may not be felt until planned reductions in the US budget deficit actually take place.

At the same time, it will be essential for both the US and other major economies to offset the deflationary impact of any such cuts through the promotion of increased private spending, particularly investment.

"For the industrial countries, the key policy issue is how to sustain a satisfactory rate of demand growth while working towards the elimination of the financial imbalances that have threatened the sustainability of expansion," it says.

In the short term, the Fund predicts that the US current account deficit will remain well above $100bn (£69bn) although it should decline slightly as a proportion of national income.

The World Economic outlook is also sceptical about the potential impact of action by economies outside the US to stimulate faster growth.

"Unfortunately, the effects on the US current account of shifts in growth rates abroad appear to be relatively small. It is unlikely that a one percentage point increase in domestic growth in Japan and the Federal Republic of Germany . . . would alter the US trade balance by more than $5-10bn," the Fund says.

"Demand stimulus outside the US would have to be very large and widespread in order to have sizeable effects on the US position," it adds.

The Outlook suggests that rather than giving a general stimulus to demand, the US and other major economies should focus on ensuring that the funds released through the expected reduction in overall budget deficits are channelled into private investment.

It says that governments should act to ensure that "crowding-in" of private spending offsets the negative impact on demand of tighter fiscal policies.

Governments outside the US should be flexible in operating their fiscal policies, perhaps by bringing forward tax increase reductions, should ensure that monetary policy is not too restrictive, and promote increased market flexibility.

In an oblique reference to Japan, the Outlook adds there may also be scope for flexibility in the implementation of increases in public expenditure to support stronger domestic demand growth.

In its assessment of the short-term outlook for growth, the Fund says that the evidence points to the slowdown in the world economy earlier this year being a pause rather than marking the onset of recession.

A number of factors point to a pick-up in the rate of output later this year, including the boost to real incomes in industrial countries from the collapse of oil prices, lower interest rates, and the potential for faster growth in exports.

The IMF forecasts that for the industrial countries as a whole the pace of growth should increase to 3.1 per cent in 1987 from 2.7 per cent this year, while inflation should decline further to 3.1 per cent from 3.3 per cent in 1986.

Prospects for developing countries, however, remain relatively gloomy.

WORLD BANK WASHINGTON 1986

ANNUAL GROWTH RATES

| % | 1985 | 1986 | 1987 |
|---|---|---|---|
| **Real GNP/GDP** | | | |
| US | 2.7 | 2.7 | 3.3 |
| Japan | 4.5 | 2.6 | 2.9 |
| France | 1.3 | 2.2 | 2.2 |
| West Germany | 2.5 | 3.0 | 3.0 |
| UK | 3.3 | 2.4 | 2.5 |
| **Real domestic demand** | | | |
| US | 3.4 | 2.4 | 2.1 |
| Japan | 3.6 | 4.2 | 4.4 |
| France | 2.0 | 3.3 | 2.7 |
| West Germany | 1.5 | 4.2 | 3.7 |
| UK | 2.2 | 3.0 | 3.2 |
| **GNP/GDP deflator** | | | |
| Japan | 1.7 | 1.8 | 1.2 |
| France | 5.8 | 4.5 | 2.4 |
| West Germany | 2.2 | 2.8 | 1.4 |
| UK | 6.1 | 3.8 | 3.7 |
| **Current account balance (as per cent of GNP/GDP)** | | | |
| US | −2.9 | −2.9 | −2.7 |
| Japan | 3.7 | 4.1 | 3.3 |
| France | — | 0.8 | 0.6 |
| West Germany | 2.1 | 3.4 | 2.5 |
| UK | 1.1 | 0.4 | −0.2 |

# Third World attacks West over debt crisis

By Peter Montagnon in Washington

DEVELOPING COUNTRIES have registered a strongly-worded protest at the International Monetary Fund's annual meeting over what they see as the West's failure to tackle their four-year-old foreign debt crisis.

"The failure to adopt a consistent and lasting solution to the debt problem not only is affecting the recovery of the world economy but makes the servicing of debt an intolerable burden," said a statement issued by finance ministers of the Group of 24, which represents developing countries in the IMF.

The statement said the growth-oriented economic adjustment programmes being adopted by the IMF were "mere rhetoric" unless the present high level of net transfer of resources from developing to developed countries was reduced.

The transfer, which takes the form of debt service payments, "has protected the financial sector in developed countries but it has seriously and unnecessarily affected the productive sectors both in the debtor and in the creditor countries."

Mr Hesfaye Dinka, Ethiopian Finance Minister and chairman of the G-24, told a news conference that developing countries were not planning to form a debtor's cartel, nor were they explicitly threatening to withhold debt service payments. But "complications would arrive unless the situation improves."

To ease the debt burden the G-24 called for:

● A reduction in real interest rates coupled with an officially-funded facility reducing the debt-service balance of developing countries;

● An increase in the resources provided by multilateral institutions and government agencies. In particular, the World Bank should negotiate the doubling of its capital during the current fiscal year.

● A resumption of flows in private resources in the form of loans and direct investments;

● The establishment of an ad hoc ministerial committee from developed and developing countries to re-examine the debt problem and report back to the G-24 at their next meeting in April 1987.

# Nigeria signs IMF letter

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

NIGERIA HAS discreetly signed a letter of intent to the International Monetary Fund that would allow it to draw around SDR 650m (£390m) to back up its economic stabilisation programme.

IMF endorsement of Nigeria's policy follows the opening at the end of last week of a two-tier foreign exchange market in Lagos which has led to an effective devaluation of the Naira. Officials believe this could help Nigeria's negotiations for a $200m-$300m bridging loan from Western central banks.

However, it is not clear whether Nigeria will avail itself of its new option to seek IMF funding.

This depends on whether the government can overcome political objections at home to the involvement of the IMF in Nigeria's economy. The two sides have been at loggerheads for several years over the country's exchange rate policy.

Meanwhile, the bridging loan negotiations have been slowed by official preoccupation with the more pressing debt problems of Mexico.

Active discussions on Nigeria's bridging loan request are thought likely to resume only when and if Mexico resolves its current disagreement with commercial bank creditors over the terms of a new $6bn loan.

# Peru again refuses to pay bank interest

BY OUR EUROMARKETS CORRESPONDENT

PERU HAS again refused to make interest payments to its creditor banks, raising fears that the banks may decide to disband their debt negotiating committee, led by Citibank.

Unless a meaningful payment of $600m (£416m) of overdue interest is made soon, the advisory committee banks "would reconsider their options," Citibank said following talks on Friday with Dr Gustavo Saberbein, Peru's chief debt negotiator.

Bankers say this is an implicit threat to disband the committee, thereby removing a major constraint to formal declaration of default, which could unleash a scramble of creditor banks seeking to attach Peru's assets abroad.

In his first meeting with the committee since Peru was declared ineligible to borrow from the International Monetary Fund, Dr Saberbein said his country wanted to resume serious negotiations on a rescheduling within the next two months.

However, he added, Peru could not currently afford to make an interest payment despite its $1.2bn in foreign exchange reserves.

He invited a team of bank economists to visit Peru during the next two weeks to examine the economy. According to a telex sent to creditors over the weekend, the committee replied that "a meaningful payment with respect to interest arrears was essential as a first step to indicate Peru's intent to resume negotiations on a serious basis."

# Peru set for currency devaluation next year

THE Peruvian Government will devalue the country's currency early next year and end many of the price controls that have upset businessmen.

The decision represents a sharp turn from the economic programme President Alan Garcia imposed to bring the country out of its worst economic slump in history after he took office last year.

In reports published in the official Gazette El Peruano and other Lima newspapers, Mr Garcia said the Government would not be able to continue to freeze the exchange rate for the inti after December 31.

He said he would ease price controls on many items and allow their value to be determined by supply and demand, and he decreed wage increases for teachers, bureaucrats and non-unionised workers in private industry.

For months, business leaders have been pushing for a devaluation they say is needed to spur exports and for a relaxation in price controls to boost production.

The exchange rate has been frozen at 13.98 intis to the dollar since August 1, 1985, three days after Mr Garcia took office and soon after he devalued the inti by 12 per cent.

The previous government of President Fernando Belaunde Terry devalued the currency daily as part of its policy to increase exports. But critics said that increased inflation, which was running at almost 250 per cent during the last few months of the Belaundes administration.

President Garcia said that when the freeze was lifted, there would be periodic minor devaluations periodically.

"A realistic management of the economy requires . . . avoiding an unrealistic or Utopian exchange rate," he said.

The president said the minimum wage was being increased from 750 intis to 900 intis, equivalent to slightly more than $64 a month. He noted that during his 14 months in office, the minimum wage had been tripled while inflation had been held at 80 per cent.

He announced wage increases of 25 per cent for low-level bureaucrats and non-unionised workers in private industry, 30 per cent for teachers and 60 per cent to 100 per cent for 18,000 professional employees in government ministries.

In February, the Government decreed similar increases for all except high-level bureaucrats, who received no raises.













## Contracts & Tenders

**REPUBLIQUE DE DJIBOUTI**
**PORT AUTONOME INTERNATIONAL DE DJIBOUTI**
**AVIS D'APPEL D'OFFRES INTERNATIONAL**

Dans le cadre du projet de rehabilitation du port de Djibouti financé par le Fonds Arabe de Developpement Economique et Social, est ouvert un appel d'offres international concernant les travaux suivants:

● Réhabilitation des quais 4 et 5 (470 mètres linéaires).
● Renovation complète de terre-pleins revêtus (11.000 M2).
● Renovation complète de voies ferrées (640m).
● Renovation de réseaux d'eau sur la longeur des quais 4 et 5.

Le délai d'exécution des travaux est fixé a 5 mois. L'appel d'offres est lancé a partir du 1er Octobre 1986. Le dossier d'appel d'offres est a retirer:

● Soit au Port Autonome International de Djibouti, B.P. 2107—Djibouti.
● Soit au BCEOM
15 Square Max Hymans 75741 Paris Cedex 15 —France

Le prix du dossier est fixé a deux cents (200) US dollars, ou quarante mille francs Djibouti payables par cheque libellé au nom de Monsieur l'Agent Comptable du Port Autonome International de Djibouti.

Le dossier pourra être envoyé aux entreprises après réception de ce montant.

La date limite de dépôt des offres est fixée au 1er Décembre 1986 a 12 heures. Le lieu de dépôt des offres est la direction du Port Autonome International de Djibouti.

**INVITATION FOR BIDS**
**RTA - 2/86**

The provisional Military Government of Socialist Ethiopia, Ethiopian Road Transport Authority (RTA) has received a credit from the International Development Association (IDA) and it is intended that part of the proceeds of this credit will be applied to eligible payment under the contract for the supply of Road Traffic Safety and Training Equipment and spare parts.

The RTA now invites sealed bids from eligible bidders for the supply of Equipment and Spare Parts.

Interested bidders from member countries of the World Bank (IDA), Switzerland, Taiwan and China may obtain further information from the RTA procurement Office Room 403 of the Headquarters Building, Telephone 15-73-27, Telex 21539, RTA ET. One set of bidding documents may be purchased by any interested eligible bidder upon payment of a non-refundable fee of Birr 20.00 for each set. The closing date for the submission of tenders shall be 15.00 hours local time on November 17, 1986.

Bids will be opened in the presence of the bidders or their representatives in the conference room of the Headquarters Building on November 19 1986 at 10.00 hours local time.

*The Authority reserves the right to reject any or all bids*

Ethiopian Road Transport Authority
P.O. Box 2504
Tel: 15-02-44 15-73-27
Addis Ababa
Ethiopia

## Company Notices

**MINERALS AND RESOURCES CORPORATION LIMITED**
**NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER**
**PAYMENT OF COUPON No. 102**

With reference to the notice of declaration of final dividend advertised in the press on September 22, 1986 the following information is published for the guidance of holders of share warrants to bearer.

The dividend of 18 cents was declared in United States currency. The dividend on bearer shares will be paid on or after November 19, 1986 against surrender of coupon No. 102 detached from share warrants to bearer as under:

(a) at the office of the Corporation's Continental paying agent:
Credit du Nord,
6-8 Boulevard Haussmann,
75009 Paris.

(b) at the London Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX. Unless persons depositing coupons at such office request payment in United States dollars (in which case they must comply with any applicable Exchange Control regulations), payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged on or prior to November 12, 1986 at the United Kingdom currency equivalent of the United States currency value of their dividend on November 4, 1986 or

(ii) in respect of coupons lodged on or after November 13, 1986 at the prevailing rate of exchange on the day the proceeds are remitted to the London Securities Department of Hill Samuel & Co. Limited.

Coupons must be left for at least four clear days for examination (eight days if payment in United States currency has been requested) and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-resident declaration forms. Where such deduction is made, the net amount of the dividend, after deducting United Kingdom income tax at 29% will be 12.78 cents (United States) per share.

In the case of payments made in the United Kingdom currency the sterling equivalent of the net dividend will be calculated in accordance with sub-paragraph (b) above.

September 29, 1986.

**NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN YAMAICHI SECURITIES CO., LTD.**

NOTICE IS HEREBY GIVEN that subject to shareholders' approval a cash dividend will be paid to shareholders of record date September 30, 1986 and, pending payment, the shareholders' register will be closed for that period October 1-31, 1986 and during this period it will not be possible to register the transfer of shares against the surrender of EDRs.

NOTICE IS ALSO GIVEN that a free distribution of shares be made to shareholders of record date September 30, 1986 in the ration of 0.03 share for each 1 common share of Y50 each (3 new for each 100 old).

Furthermore, it has been declared that the shares will be traded ex-dividend and ex-bonus on the Japanese Stock Exchanges with effect from September 26, 1986. Coupon No. 11 attached to the EDRs will be used for the collection of the dividend and Coupon No. 12 will be used for the collection of the free shares.

Subject to approval of the dividend, a further notice will be published, after receipt of the dividend by the Depositary, stating the amount of the dividend and date of distribution of the free shares.

CITIBANK, N.A., London, Depositary.

September 26, 1986.

## Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

## Art Galleries

ALLANS—HAND EMBROIDERED SILK PICTURES. See the new "Fragrant Hills" and "Victorian Vignettes" collections and China's fantastic double-sized hand embroidered pictures each on its own hand-carved cherry wood free standing frame. Lower Ground Floor of Allans Famous Silk Shop, 56-58, Duke Street, Grosvenor Square, London W1M 6HS. 9-6 Mon.-Fri.; 9-1 Sat.

## Personal

COMMUTING WEEKLY?—Exclusive use of Luxury Flat, EC2. Monday to Friday on a shared expenses basis. Telephone 0897 870068.

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# Tanker order upsurge bypasses Japanese

By Yoko Shibata in Tokyo

A WORLD tanker ordering boom which has not been seen for more than 12 years is bypassing Japanese shipyards. New orders have gone to South Korea and Yugoslavia following the steep appreciation in the value of the Japanese yen.

Japanese yards have won only four orders for vessels so far this year. Three will carry liquefied natural gas to Japan from the Australian North-West Shelf—a Japanese financed project, and the other is a tanker order won by Mitsubishi Heavy Industries (MHI) from Chevron of the US.

The upsurge in the yen's value has widened the cost differential between Japanese and South Korean yards from 15 per cent last autumn to 40 per cent now. In dollar terms, Korean yards workers' wages are one-seventh of those of the Japanese.

Since the beginning of this year, South Korean yards have won 30 tanker orders including four very large crude carriers (VLCCs) and five vessels on option, while Yugoslavia shipbuilders have won orders for two tankers and two products carriers.

Including those orders on option, Yugoslavian yards will be busy until 1990, while Hyundai of South Korea has enough work to last until 1988. Japanese shipbuilders, by contrast, are cutting yard facilities drastically.

Ishikawajima - Harima Heavy Industries (IHI) plans to slash its yard capacities by 60 per cent and Hitachi Zopsen by 50 per cent.

These tankers order awarded to South Korean yards are at prices almost half what they were four years ago, however, and the Koreans have to buy ship equipment from Japan accounting for 30-40 per cent of the value of ship.

Some South Korean yards are reported to be negotiating with shipowners to increase prices by 10-15 per cent after they have won orders.

SHIPPING REPORT

# Tanker rates continue to ease

By Terry Dodsworth

THE RECENT Opec agreement on reduced crude oil production remained the dominant issue in the world shipping market last week, as the decline in activity in the oilfields was reflected in reduced liftings from the terminals and a continuing easing of rates in the tanker market.

In the Gulf trade, the large ship market is on the verge of collapse, according to Galbraith's, the UK shipbroking company, with rates likely to drop to Worldscale 25 for a 250,000-ton cargo from South Arabia to North West Europe, against an option rate of Worldscale 32.5, "only a few days ago."

The one area which has shown some life has been for liftings for delivery to North American refineries, says Galbraith's, although these have been usually directed at smaller tankers.

Elsewhere, the Japanese trade has shown some activity, particularly for smaller volume liftings of between 45,000 and 50,000 tons of lighter oils.

The Japanese market seems likely to maintain steady demand for these sort of cargoes throughout next month, while smaller vessels also remain in demand for shorter hauls to India.

The tone set by the depressed tanker trade spilled over into the dry cargo market. In an exceptionally quiet trading environment, the grain rate for the US Gulf to the Continent perked up, with the fixture of a 70,000-tonner for light grains at $8 a ton, and for the US Gulf to Japan route at $12.25 a ton.

AUSTRALIAN CARRIER IN BID TO EXPAND

# Ansett likely to run Uruguay airline

BY RICHARD HUBBARD IN CANBERRA

AUSTRALIA'S major private sector domestic airline, Ansett, is the confirmed front-runner in a bid to take over the management of the Uruguayan national airline Pluna.

Winning the contract would significantly enhance Ansett's chances of becoming an international carrier in spite of Australian Government legislation which prohibits it from flying on overseas routes.

The contract with Pluna would offer Ansett control over a company with major landing rights in the US and Europe. Ansett already has a management contract with the Cook Islands International airline, which services the South Pacific, and has built up a major shareholding in a new domestic airline in New Zealand.

The company, jointly owned by Mr Rupert Murdoch's News Corporation and the Transport Company TNT, is favoured to win the Pluna contract

Mr Emita Comforte, president of Pluna, has announced that the Uruguayan Government is considering selling either a half or full share in the airline and Ansett would be a front-runner

The move by Ansett into international air services has met a cool response from Qantas, but Australia's only international carrier is unlikely to be perturbed by a competitive threat from Uruguay, but the Pluna plan is likely to increase tension in Australia over which airlines can carry international passengers on domestic routes.

The international carrier Qantas has been pushing to be allowed to carry its overseas passengers on its own aircraft between capital cities in Australia. At present, it is prohibited from doing this by a law designed to maintain the two domestic airlines as the sole carriers on major trunk routes.

Any move by Ansett, in a new role as manager of Pluna, to link the Uruguayan carrier with either the Cook Island or New Zealand airlines also under its control to provide an international air network, will certainly stir Qantas into putting pressure on the Federal Government

Reuter reports from Ottawa: Canada's Transport Minister, Mr John Crosbie, is optimistic about resolving a dispute that threatens to disrupt scheduled airline service between Canada and Britain, he said yesterday.

Britain has complained that Air Canada is taking advantage of its rights under a five-year-old accord to land in London and pick up passengers en route to Singapore and Bombay.

In return, British Airways was allowed to extend its service beyond Montreal and Toronto to several other Canadian cities, but Britain claims the routes are not as lucrative.

# Canberra angry at cheap wheat for Moscow

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA, continuing its campaign against agricultural subsidies in international trade, has reacted sharply to the European Community's proposed sale of cheap wheat to the Soviet Union, announced last week.

Mr John Kerin, Primary Industry Minister, condemned the transaction at the weekend as "economic insanity." His complaints were quickly echoed by Australian grain interests.

It was not clear last night whether the Canberra Government would repeat its action last month, after the US decided to sell 4m tonnes of wheat at heavily subsidised prices to the Soviet Union.

Then, an all-party delegation led by Mr Kerin was quickly despatched to Washington. Warnings were also issued that the decision threatened to impair the security alliance between the two countries.

Last week's European action, which helps French farmers in particular, was deliberately designed to undercut the US deal that has infuriated Australians.

Ironically, it comes only days after Australia and like-minded countries overcame European resistance and succeeded in putting agricultural subsidies on the agenda for international trade liberalisation.

The move came during a conference of the General Agreement on Tariffs and Trade at Punte del Este in Argentina. It was hailed as a major breakthrough for global trade reform.

Australian wheat farmers are thought likely to lose hundreds of millions of dollars, as a result of the latest subsidised deals. Marginal producers are expected to be driven out of business.

There is also official concern at prospective losses for Australia because of planned US sugar deals with China and reported US plans to dump eggs in Hong Kong.

# Nasa to launch Indonesia satellite

By Our Jakarta Correspondent

NASA, the US space agency, is to launch Indonesia's fifth communications satellite next March, senior ministers said in Djakarta.

The launch ends earlier speculation, following President Mitterrand's state visit to Indonesia, that Europe's Ariane would be used.

Launch costs of Indonesia's Hughes-built satellite will be $53m.

The satellite costs $40m. The use of a Delta rocket is markedly more expensive than the space shuttle costed at US$18m.

However, a launch set for June was suspended along with the whole US space Shuttle programme following the Challenger disaster in January.

With only one of Indonesia's satellites operational, officials have been pressing Washington for an early launch. Television and telecommunications links between Indonesia's 13,000 islands are considered a strategic imperative.

A dispute in January over US allegations that Indonesia was committing "space piracy" had threatened to throw Palapa's plans off course. Charges, put by US Government officials included illicitly tuning into signals from the two US Landsat earth mapping satellites.

# Semiconductor chief denies dumping pact has boosted prices

BY TERRY DODSWORTH

MR CHARLES SPORCK, president of National Semiconductor, and one of the leading American industrialists behind the recent Japanese-American anti-dumping pact in the semiconductor industry, has vigorously denied that the agreement had led to any appreciable price increase as yet.

"I have just come from a meeting in California with large semiconductor manufacturers and systems customers and we are universally agreed that there has not been a change in prices," he said: "I believe there will be a very modest increase, probably coming in October and November."

Mr Sporck, a Silicon Valley veteran and a fierce proponent of a US industrial policy to combat Japanese expansion in the high technology industries, was speaking in London after reports of swingeing price increases for memory chips, the main semiconductors affected by the agreement.

He conceded that, inasmuch as dumping had been admitted, the agreement to make prices reflect costs would mean that prices would have to rise. But he contended that increases should be no more than around 20 per cent from current market rates.

Mr Sporck's comments contrast sharply with complaints made by various US manufacturers who buy Japanese semiconductors.

They have claimed that prices have increased by between 100 per cent and 600 per cent since the "fair market value" system was imposed on Japanese memory chips, and their objections have been taken up by the American Electronics Association.

"I would expect that prices may go up from between $2 and $2.50 to $2.25 and $3," said Mr Sporck, "but not by a factor of five or six."

Mr Sporck also announced a sourcing and technology agreement between National Semiconductor, which claims to be the largest employer in Silicon Valley, and Thomson Semiconductors, a subsidiary of the French Thomson group.

Under terms of the deal, each company will have the right to second-source its telecommunications integrated circuits from the other, and they will also jointly develop future integrated circuits for the telecommunications market.

# Deng urges boost in Japan trade

By Robert Thomson in Peking

CHINA'S paramount leader, Deng Xiaoping, has suggested that Japan increase its trade with China fourfold in coming years, and has taken a more conciliatory position on Japan's huge surplus in bilateral trade.

Last December, Deng issued a stern warning to Japanese officials that China had suffered two years of large deficits and that a third year would "certainly not" be tolerated.

He said then that furthering economic ties would be "impossible" unless the problem (the deficit last year was $6bn (£4.2bn) was solved.

But in a meeting with a delegation from the Japan-China Association on Economy and Trade, the Chinese leader said bilateral economic co-operation was a "long-term issue," and that Japan would do well to lift its China trade from 6.2 per cent of its total trade volume to 25 per cent.

According to Xinhua, the official Chinese news agency, Deng said that "China is short of what Japan has, and vice-versa," and that "from a long-term point of view, Japan needs another big trading partner, and the potential one is China."

In an apparent allusion to the relatively low level of Japanese investment in China, Deng emphasised that China is short of funds, while Japan cannot find outlets for its funds.

Japanese officials should not regard China as a potential competitor, he added.

## US-Taiwan meeting

A Taiwanese delegation is in Washington to negotiate new agreements on the export of rice, steel and machine tools, and the import of US beer, wine and tobacco, AP-DJ report.

Mr Vincent Siew, director-general of the Government's Board of Foreign Trade, said however, that he was not optimistic about the outcome.

## EEC-Tokyo talks

The EEC's Assistant Director-General for External Relations, Mr Jos Loeff, will have talks next week in Tokyo with the Japanese authorities about a dispute concerning EEC exports of wine and spirits to Japan, a Commission spokesman said, AP-DJ reports.

The talks will be the third held this year on the dispute. Discussions in April and July ended in stalemate.

## World Economic Indicators

INDUSTRIAL PRODUCTION (1980 = 100)

| | | | | | % change over previous year |
|---|---|---|---|---|---|
| US | Aug. 86 114.9 | July 86 114.7 | June 86 114.3 | Aug. 85 114.5 | +0.3 |
| UK | July 86 113.3 | June 86 106.7 | May 86 108.1 | July 85 107.7 | +2.4 |
| W. Germany | June 86 109.5 | May 86 105.5 | April 86 110.7 | June 85 104.5 | +4.8 |
| Japan | 122.7 | 122.1 | 121.7 | 122.3 | +0.3 |
| France | 101.4 | 98.7 | 103.8 | 99.2 | +2.2 |
| Italy | 103.3 | 98.6 | 100.2 | 100.4 | +2.9 |
| Netherlands | 103.4 | 100.7 | 107.0 | 105.4 | −1.9 |

Source (except US, Japan): Eurostat


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Election to membership of the London Stock Exchange last March has consolidated Nomura's key position in the world's three most influential financial centres—New York, Tokyo and London. Nomura's global profile has been further reinforced by Nomura International's greatly increasing dealings in the Euromarkets. Accelerating business in these markets has earned for Nomura second place in the Eurobond book-runner ranking by the *International Financing Review* for January to August this year.
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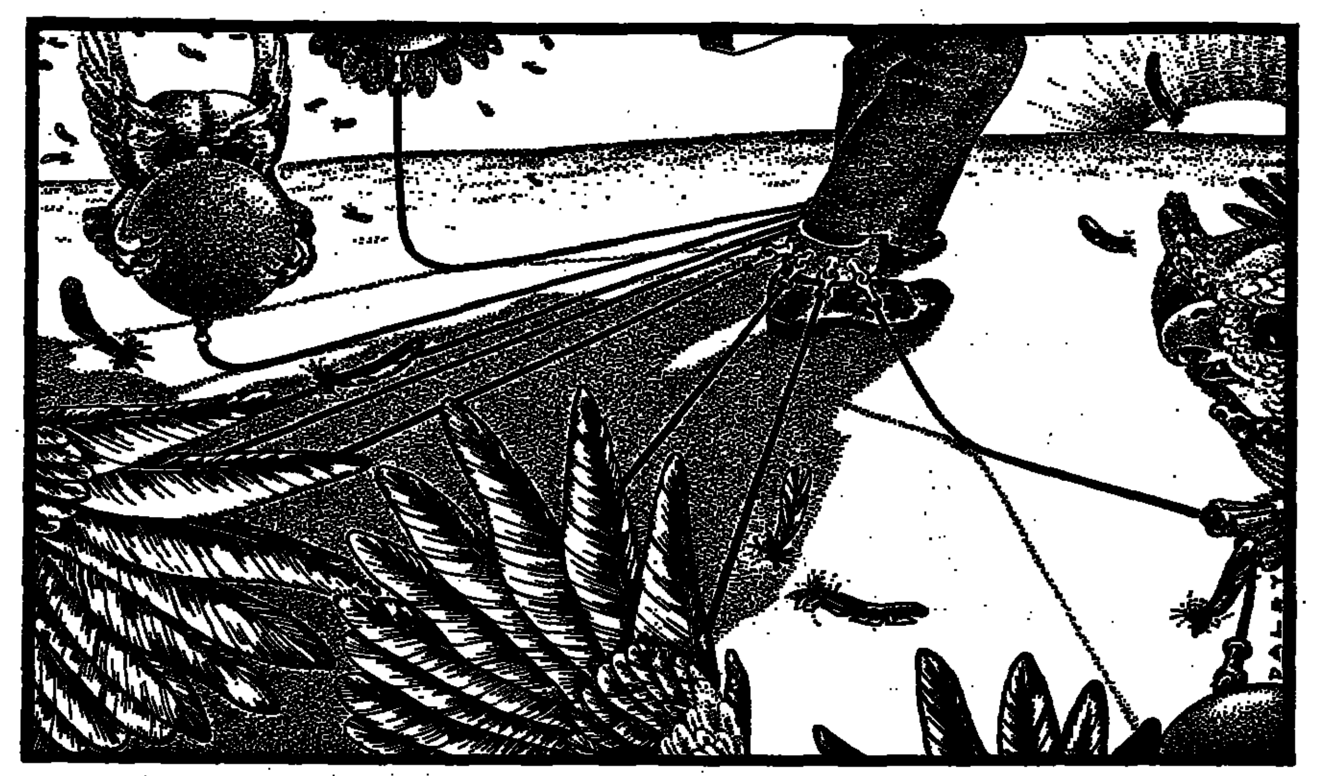
## MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

The guru factor

# Why there are still no sure answers

**Michael Dixon concludes this series by warning that it is ingrained habits of managers that frequently stifle good ideas**



HEARING UPROAR from a workshop the new chief executive hurried in. A hulking foreman was shaking a worker by the throat and yelling: "One more foul-up, you rat, and I'll kick you into the street!" Horrified, the business school-educated chief told his works manager to send the foreman on an interpersonal communications course.

Looking into the workshop three months later, the chief saw the same foreman shaking another man by the collar and shouting: "One more foul-up, you rat, and I'll kick you into the street . . . by the way, has your kiddie got over her cold?"

That cautionary tale should be carved on the desks not only of business schools, but of all who read *In Search of Excellence* and the many other "guru" books on management. Unless the story's warning is heeded, it is odds-on that today's hopes of finding better ways to manage will follow their predecessors—several generations of them—into unmarked graves.

What killed them was not simply the feebleness of good ideas in the face of ingrained habits. Then, as now, the hopes were born of necessity. Many western companies already knew that the old rules and rites of management were no longer up to the job, even though the fact had not yet been so sharply stressed by eastern competition.

But while thousands of working executives saw that change was needed, it was the fresh ideas that died. The old ways prevailed essentially unscathed.

"Why do so many managers hang on so desperately to things that they know do not work?" asked the then management guru, Professor Frederick Herzberg, almost 20 years ago.

Although a useful answer is still desperately hard to find, there seem to be at least three clues to it.

One is that managers' power to change things is limited by organisational politics. A second is that their confidence to try new approaches is often undermined by the pressures of the job. The last is that the help they can get from gurus and conventional teachers is restricted because the ways in which good management work differs from bad are as yet but vaguely defined, and therefore dimly understood.

This third blockage is illustrated by a recent study of UK management - training chiefs which was led by Professor Iain Mangham of Bath University. The trainers were asked to list the qualities most important in managerial jobs.

"Most replies were standard management-speak," Professor Mangham says. "Leadership, motivation and communication"—the kind of terms offered by academics and consultants that can, and do, mean everything and anything.

"What we all lack," he adds, "is a sophisticated vocabulary for talking about management. Some who are spectacularly good at doing it become tongue-tied when asked to reveal the secrets of their success . . . We academics and practitioners are ignorant of what it is we are about."

It is not only the teaching of management that suffers from lack of a precise and detailed vocabulary. The shortage also hinders understanding of most other "intelligent-doing" activities. For instance, standard English's only words for describing the prime skills of a machine-tool operator — an "eye" for the cutting speed, a "feel" for the material—say little about how the job is actually done.

In management, at least, there has been some progress of understanding in recent years. Earlier writers tended to describe managerial activity with words like "organising, co-ordinating and controlling." Practical executives got no more help from those descriptions of what they were doing than the newly rich Mr Jourdain in Molière's play The Bourgeois Gentleman, got from learning that what he had talked since childhood was prose.

One noteworthy advance in understanding came from the "guru's guru" Professor Henry Mintzberg (discussed in this series on July 28). His research in the mid-1970s confirmed that what managers really do is juggle with a mass of different tasks, mostly of short duration, such as negotiating by telephone and attending meetings.

But that information does not help much. Many different techniques can be used in telephoning, meetings and so on, and not all prove successful. If management performance is to be improved, the key questions are: which techniques work well, in what circumstances, and how? There are still no sure answers.

The same applies to the catchy recommendations of today's better known gurus such as Dr Kenneth Blanchard, co-author of *The One-Minute Manager* (see July 14). An example of his nostrums is: Catch people doing things right. Again a manager wanting to work better in some particular circumstances will need to know how.

Until words enabling the key questions to be answered clearly have been discovered by writers and conventional teachers — and it is now 105 years since the founding in the US of the first management school — practising executives seem unlikely to obtain enough help from written texts and lectures. In the meantime a better hope probably lies in a strengthening of their confidence to try new ways of working.

The scope for strengthening it can be divined from a study by the American psychologist Dr Allan Katcher, who asked senior executives a nasty question. They worked in the US where management, as distinct from longer-pedigreed professional work, enjoys higher social regard than in some countries. So they perhaps had unusually good reason to feel confident.

The question was: what would you least want your subordinates to know about you? And in nearly 19 out of every 20 cases the answer was the same. The fear was that junior staff would come to know how inadequate the chiefs felt in their jobs.

One pretty consistent finding of this series of articles on the sudden and stupendous surge of interest in the works of the latest management gurus, is that it is somehow linked with an upturn in working managers' confidence. Given Katcher's evidence of widespread self-doubt among even top executives, the guru boom's part in increasing confidence is important.

The best-selling authors *play* that part in more ways than by talking to the working manager in everyday language instead of lecturing down from an icy intellectual height.

They encourage executives to believe that, if they get the essentials right, they can trust their subordinates rather than have to rack their brains continually to find ways of preventing lower-rank irresponsibility. Moreover, the gurus teach that ordinary managers can get the essentials right without needing to know everything, including the statistical wizardries which some previous management writers have falsely suggested can foretell the future.

Besides increasing the confidence of people in managerial jobs today, the best-sellers may have the added benefit of raising esteem for management work among younger generations. There is evidence from the US that some of the books are being bought as presents for girls and boys still in full-time education. It is to be hoped that the same practice will spread elsewhere.

The lesson that managers can excel without knowing everything could also loosen a further blockage which, perhaps more than any other. stops individual executives from adopting better ways of working. It is organisational politics.

Since the dawn of history, manipulating power to one's own advantage has been at the heart of the managerial role. Even company chiefs can rarely operate free of the machinations going on below. If they can, their actions are still limited by the political necessities of maintaining good relations with the heads of other organisations on which their own company depends. Managing and politicking will always be inseparable.

That fact was hardly ever acknowledged by earlier pontificators. Management was portrayed as an activity in which ultimately worthwhile success could be attained only by making perfectly rational decisions founded on perfect and necessarily universal knowledge. To excel, managers would need to become virtually gods.

While the icon-like portrait no doubt only deepened most managers' feelings of inadequacy, a number seem to have tried to fit their own image to it. They tended to act as though they had the prescience as well as the omniscience to foresee in detail what their organisation must do, and the omnipotence to ensure that it did it.

It may well prove that today's best-selling authors have made their best contribution by exposing that icon as a ludicrous caricature. They stress not only that managers are merely human. They also hark back to the teaching of the forefather of the "new wave" gurudom, Aristotle, who defined humans as social animals. As such, even executives have willy nilly to operate politically.

The key point was well put by Tom Peters, co-author of *In Search of Excellence* (see August 18). In an article published by the American Management Association in 1978, he said that all the powers managers have to move their organisation in fruitful directions, the most productive is the power to persuade.

If they can accept that fact, and the need to listen as well as talk to those working for them, they "can with luck and to a limited extent, grasp control of the signalling system to point a general direction and mark out limited areas of expected new institutional excellence. By adroitly managing agenda, they can nudge the day-to-day decision-making system, thus simultaneously imparting new preferences and testing new initiatives.

"And some day, in retrospect, they may be able to see themselves as experimenters who attempted to build consensus on a practical (and flexible) vision of what was possible over a five-year horizon, and through incessant attention to the implementation of small, adaptive steps, made that vision a reality."

If so, he added, they should be well content.

*This is the final article in this series. Previous articles appeared on June 30, July 7, 14, 21, 28, August 4, 18, September 1 and 15. The series will be published as a booklet later in the year via the Financial Times publicity office.*

## Management abstracts

**Franchised shops plus mail order. D. van Roozendaal in Absatzwirtschaft (Fed. Rep. of Germany), April 1986 (3 pages in German, English version available).**

The marketing manager for Germany of Yves Rocher (cosmetics) explains how his company achieves 80 per cent of its turnover by mail order, and still gets a worthwhile contribution from franchised shops; looks also at how the two distribution channels complement each other and how conflict situations are avoided.

**Global marketing: a sensible business/industrial option? G. J. McNally and W. W. Locke in Business Marketing (US), April 1986 (6½ pages)**

Two articles which cover the pros and cons of global marketing: "pro," quoting the experience of Borg-Warner Chemicals, discusses pressure of technology, reliable products, and low prices as necessitating a global approach; "con," based on the operations of Armstrong World Industries (gaskets), maintains that cultural differences are a large hurdle still to overcome, and recommends co-ordinated "niche" marketing.

***Measuring Telemarketing Productivity.*** **H. E. Glass and N. M. Kuhn in Business (US), April-June 1986 (6 pages).**

Contends that telemarketing centre productivity measurement should reflect its main activities: order processing, customer service, field sales support, and account management; divides measures into process (eg calls per day), and result (sales revenue), and impact (size of field sales force). Presents case examples demonstrating measures applied by Rohm and Haas (plastics — order processing), Capital Preservation Fund (investment — customer service), Wrigley (chewing gum — field sales support), and CF Air Freight (account management).

**Classified advertising on prestel. C. Berman in Computing (UK), May 29 1986 (2 pages)**

Warns of the high cost and nil effectiveness of advertising on the "Yellow Pages" section of Prestel, blaming the poor indexing system which makes it virtually impossible to find a particular advert. Notes the advent of a computerised classified advertising service (Casper) which seems a much better bet.

*These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.*

# UK NEWS

GOVERNMENT STUDIES RADICAL COMMUNICATIONS PROJECTS

## Private groups may run radio frequencies

BY DAVID THOMAS

THE GOVERNMENT is considering a novel plan to allow private companies to run radio frequencies on a commercial basis.

If this idea were adopted, it is thought that Britain would be the first country in the world to operate such a system. This plan for frequencies, which are used for broadcasting and communications, is likely to be one of the main conclusions of a review launched by the Department of Trade and Industry (DTI) last year.

Supporters of these proposals believe that commercial pricing would lead to quicker development of the spectrum of frequencies for new uses, such as cellular radio.

Officials in the DTI are near the end of their review which was carried out with the help of consultants. Under the proposals, day-to-day administration of the spectrum would be removed from the department and given to two different types of organisations.

The first would be organisations which are already heavy users of radio frequencies, such as the BBC, the Independent Broadcasting Authority and British Telecom.

The second would be commercial companies set up specifically to administer frequencies not allocated to the first group.

It has not been decided how this initial allocation would be made, but it could involve an auction of frequencies or bidders submitting plans for how they would develop the spectrum.

Once the initial allocation had been made, companies administering the spectrum would be free to lease frequencies.

However, a number of issues remain unresolved, such as the implications for amateur radio users and how to ensure fairness of treatment between the different sorts of organisation which would administer the frequencies.

Civil servants are likely to make their recommendations to ministers after Christmas. However, to carry out the most radical suggestions under consideration would probably require legislation, diminishing their chances of being adopted in the run-up to a general election.

The review has also considered liberalising an important element of large companies' private telecommunications networks. These are links using radio frequencies which transmit voice and data between two sites in a company.

## Centre aims to raise level of computer software engineering

BY ALAN CANE

THE UK Government is spending £5m ($7m) in the next three years on a centre to demonstrate to industry the potential and use of software tools or special computer software which makes it simpler and cheaper to write other computer programs.

The centre, based in Manchester, was opened last week by Mr John Butcher, Industry Under-Secretary. "The aim of the Software Tools Development Centre is to raise general standards and the use of software engineering in the UK. It will give guidance to software producers and users alike of the benefits to be gained from the use of good tools and methods," he said.

The production of computer software is seen by industry and government as a key to the UK's commercial performance in the electronics and computer-related industries.

Software tools and software engineering are attemps to put the production of software on a more scientific basis. At present, it is more craft than science, and there are serious worries about the efficiency of systems analysts and computer programmers.

Software tool suppliers have agreed to lend their products to the centre free of charge.

Companies will be able to seek expert advice from staff at the centre and compare and contrast different tools using their own data.

At the end of three years the centre is expected to become self-supporting from consultancy and other services.

● The Government is preparing a response to a report from a Cabinet committee which expressed concern over the performance of the UK software industry. It is likely to be published towards the end of the year.

## New hours for drivers introduced

By Kevin Brown

SIMPLIFIED regulations on working hours for lorry and coach drivers come into force throughout the EEC today despite continuing trade union opposition.

The new rules permit an increase in maximum daily driving from nine hours to 10 and modify the system of compulsory rest breaks. They replace regulations introduced in 1969 when the Community consisted of only six member states.

The greater flexibility allowed to operators by the new regulations was welcomed by the Freight Transport Association, which represents companies with lorry fleets.

The FTA said some companies operating on long-distance routes hoped to achieve cost savings by reducing the number of vehicles needed and rescheduling journeys to avoid expensive overnight stops.

The International Transport Workers' Federation, which represents drivers' unions throughout Europe, said the regulations would further weaken the "grossly inadequate" controls on working hours.

The federation said employers would be able to manipulate the rules to require drivers to work up to 12¼ hours for three consecutive days followed by 14¼ on the next three days.

Mr David Mitchell, the Transport Minister of State, said the regulations were a compromise package including "items which the British Government would not itself have chosen."

## Pay settlements 'fall to 5½%'

BY HAZEL DUFFY

PAY SETTLEMENTS in manufacturing fell to an average 5½ per cent in the third quarter, according to the Confederation of British Industry's (CBI) Pay Databank.

The figure is the lowest for three years and compares with 6 per cent in the first quarter and 6¼ per cent in the second quarter. But the CBI, which is conducting a national campaign among employers to settle pay claims at levels which will cut British industry's rising unit labour costs, cautions against the figure being any more than a step in the right direction.

It points out that the range of settlements remains wide and that concentration on any single figure would be misleading. One fifth of the settlements in the third quarter were between 6½ and 7½ per cent, slightly over a quarter between 5½ and 6½ per cent, and a quarter between 4½ and 5½ per cent. The figures are provisional.

Latest official figures show that unit wage costs in manufacturing industry in the UK rose by 1 per cent in the second quarter when they were 7½ per cent higher than a year earlier.

Sir Terence Beckett, director general of the CBI, said of the latest pay settlement figures: "We shall have to do much more before we can start competing on level terms with our major overseas rivals."

Emphasising the need for employers to strive for greatly reduced pay settlements, he added: "Indeed, with the cost of living virtually static, companies must seriously question the need for annual pay awards, especially where productivity is not improved."

Richard Evans writes: Basic pay rates in the UK are beginning to respond to the lower rate of inflation, according to the latest salary and cost of living report by Reward Regional Surveys.

According to a survey of over 700 companies, annual salary increases were running at 8.3 per cent in September against an inflation rate of 2.4 per cent. This compared with pay rises of 8.7 per cent in September 1985 when the inflation rate was 5.9 per cent.

## UK NEWS

# TSB rush leaves only 50-50 shares chance

BY RICHARD TOMKINS

RESPONSE to the TSB group flotation has been so heavy that applicants other than preferential ones will stand no more than a 50-50 chance of receiving any shares.

Details of the response and the allocation will be announced this afternoon, but it is already clear that a ballot among the ordinary applicants, and a scaling down of the winners, is inevitable. The biggest investors will be ruled out altogether.

Nearly 5m applications have been received with a cash value of over £5.5bn. With 1.36m shares available at a partly paid price of 50p each, this means that the issue has been subscribed eight times.

Of the 5m who applied, some 1.25m are preferential applicants – TSB customers and employees – who were promised 50 per cent of the issue. All will receive an allocation, with those at the bottom of the scale getting as many shares as they asked for.

The TSB has said that it is impractical to have many more than 3m initial shareholders, so it will be issuing shares to only about 1.75m ordinary applicants. The balance of nearly 2m will be eliminated in a ballot.

Big investors – those sending in cheques for much over £1m – will be eliminated from the allocation because they stand to lose more through the costs involved in having their cheques cashed than they would gain through their profits on a small allocation.

Applicants who are successful in the ballot will receive a proportion of the shares applied for. Since the TBS's aim is to gear the issue towards the smaller investor, the proportion will gradually diminish as the size of the application increases.

All ordinary applications will be scaled down, including those for the minimum number of shares – 400. However, the TSB is anxious to avoid the criticisms attracted by the Britoil issue, when investors received what many regarded as trifling allocations of 100-150 shares, so the minimum level will be at least 200.

Lazard Brothers, the merchant bank sponsoring the issue, calculates that the basis of the allocation will leave no successful applicant unhappy. On a conservative estimate of a 25p premium when dealings begin, someone who is allocated 300 shares will stand to make a gross profit of £75 on his or her investment, which should shrink by only about £10 after expenses.

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# Privatised British Gas would be taken back, Kinnock says

BY PETER RIDDELL, POLITICAL EDITOR

A LABOUR government would bring a privatised British Gas back under public control using broadly the same formula already proposed for British Telecom which rules out any "short-term speculative gain."

This was made clear by Mr Neil Kinnock, the party leader, in an interview with journalists on the eve of the Labour Party conference in Blackpool.

It will be spelt out more fully during tomorrow's debate on Labour's new social ownership proposals. These involve a fundamental rethinking of previous attitudes towards nationalisation in urging a greater mixture of public and private ownership.

They are expected to be overwhelmingly endorsed by the conference, despite reservations by many on the party's hard left that they represent a watering down of Socialism.

Mr John Smith, the party's Trade and Industry spokesman, believes it is right and necessary to make Labour's attitude clear well before the flotation of British Gas this November. However, the party cannot give any details of the precise plan until it knows the exact terms of the British Gas offer. Otherwise, any Labour plan might be matched by the Government.

Mr Neil Kinnock

The formula applied will be broadly the same as that for British Telecom. This offered shareholders the choice between receiving no more than the original flotation price or new non-voting securities for long-term investors. These would offer either an increase in capital value or a secure guaranteed income.

The Government would retain the sole voting share, but either BT or British Gas would remain a public company operating under company law.

● Any coalition with Labour and other parties would be wrong both in principle and in practice, Mr Roy Hattersley, the party's deputy leader and Shadow Chancellor of the Exchequer, maintained yesterday in firmly ruling out any post-election deal with Social Democratic Party (SDP)/Liberal Alliance.

Addressing the Solidarity centre-right group, he argued that the Alliance idea of coalition offered only "the lowest common denominator, implementing a programme which everybody agreed was second-best.

His speech was clearly intended to counter the pressure which the Alliance leaders have been trying to build up on the Conservative and Labour parties to say that they are willing to talk with the SDP and Liberals in the event of no party getting an overall majority after the next election.

Mr Hattersley's main theme was that Labour was "on the road to victory" and would win an overall majority. He said that this was Labour's complicit answer to the SDP's aspirations of coalition.

# Labour to reject 'expensive' pay calls

By Philip Bassett, Labour Editor

A FUTURE Labour government would have to be prepared to reject public-sector pay demands if it felt that the country would be unable economically to meet them, according to Mr Neil Kinnock, the Labour Party leader.

Speaking to Labour and industrial journalists at the opening of the party's annual conference in Blackpool, Mr Kinnock's comments provide the most extensive indication so far of the policies Labour would be likely to implement to deal with the vexed issue of pay.

He recognised the current large gap between the increase in inflation and the rise in earnings, though he said it was hardly surprising within an economic environment created by the present Government which required people to "go out and get what they can when they can."

He stressed, too, the need to look at rises in marginal capital costs, which, he said, were dwarfing the admittedly "not unimportant" rise in unit labour costs.

However, Mr Kinnock said that it would "folly" even to attempt to specify legally enforceable pay norms in an effort to reverse the rise.

Rejecting what he described as 1960s ideas of income, he said: "I don't think governments can helpfully determine what precise levels of wages are appropriate in the private sector."

He took a different line on the 7.5m – 8m direct or indirect employees in the public sector. "A government which knows it can't afford to pay more has a duty to say 'no'."

But he denied these policies were a continuation of those practised by the Conservatives, attacking the Government's inefficient use of cash limits to control pay, which had resulted in a massive misallocation of resources. Instead, through its taxation policy, a Labour Government would ensure there was sufficient income to meet justified pay needs among public-sector employees.

He repeated the theme of his address to the TUC conference in Brighton three weeks ago by stressing that it was up to union members and leaders to set the pace for changes in the level of unemployment

# UK NEWS

## GEC and rival Plessey in joint venture talks

BY DAVID THOMAS

GEC and Plessey, Britain's two biggest makers of telecommunications equipment, until recently locked in a bitter takeover battle, have begun talks which may lead to a joint telecommunications subsidiary.

GEC's £1.2bn ($1.7bn) bid for Plessey was blocked by the Monopolies and Mergers Commission last month.

Now the two companies are discussing combining some of their activities connected with System X, Britain's only large digital public telephone exchange, which both helped to develop.

The present agenda falls well short of any proposals for a joint subsidiary, but some at least of those involve hope that this could be the eventual outcome.

A merger of the two companies' overlapping interests in System X has long been considered a sensible move by industry observers and was supported by the Monopolies and Mergers Commission.

The two companies have now set up a task force to consider areas in which the could collaborate more closely in their System X activities.

The task force will identify over the next month activities where duplication of effort could be eliminated. These are likely to include purchasing, marketing and data processing.

The companies are pointing to their collaboration on the original development of System X as a model for this approach.

Senior executives in both companies believe that approaching the problem in this initially limited fashion is more likely to be successful then jumping straight into talks about a full merger of the System X activities.

## New firms pitch in to the SE

By Clive Wolman

THE FLOOR of the London Stock Exchange will be more crowded this morning because of the appearance of the new market-making firms preparing for the deregulation of the exchange on October 27.

The number of firms with pitches on the stock exchange floor will rise from 19 to 28. Of these 20 will be making markets in UK equities and 12 in UK government gilt-edged securities. The building of the new hexagonal pitches has been carried out in the last few months in the evenings and at weekends.

The number of market-making firms with pitches on the exchange floor is unlikely to change in the run-up or immediate aftermath of Big Bang. After the Big Bang 35 firms have registered to make markets in equities, a number which might increase slightly over the next few weeks. In the gilt-edged market the Bank of England has designated 27 firms as primary dealers.

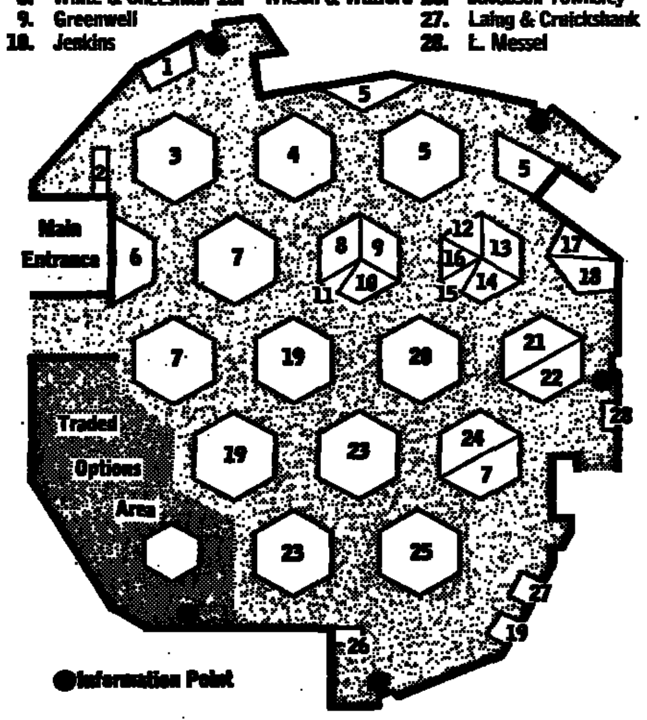
Although there is a small amount of vacant space on the floor, few of the new market-making firms which have not taken up a pitch by today are expected to request to do so by October 27. Most will be content to deal exclusively over the telephone from their offices.

Even those market-making firms with a presence on the floor are today redeploying some of their staff who were formerly on the floor to offices in the stock exchange building or elsewhere. A partial redeployment was considered essential to make room for all the newcomers.

Most believe the advantages of face-to-face trading will diminish steadily over the next few years as the investment community becomes international, telecommunications become more advanced and the price information and settlement systems become entirely electronic.

**New Pitch Allocation on Stock Exchange Floor**

| | | | | | |
|---|---|---|---|---|---|
| 1. | Savory Millin | 11. | Sternberg | 19. | Smith Bros |
| 2. | Kitcat & Aitken | 12. | Wood, Mackenzie | 20. | Morgan Grenfell |
| 3. | Citicorp | 13. | Schroders | 21. | Chase Manhatten |
| 4. | Hoare Govett | 14. | J. Capel | 22. | Merrill Lynch |
| 5. | County Bisgood | 15. | Seligmann | 23. | Mercury |
| 6. | H. Rattle | 16. | Strauss, Turnbull | 24. | Phillips & Drew |
| 7. | BZW | 17. | Gilbert Eliott | 25. | Grievson Grant |
| 8. | White & Cheesman | 18. | Wilson & Watford | 26. | Jacobson Townsley |
| 9. | Greenwell | | | 27. | Laing & Cruickshank |
| 10. | Jenkins | | | 28. | L. Messel |




● Information Point

## Reparation scheme planned for markets

By David Lascelles

A CENTRAL compensation scheme for investors using the City of London markets after the Big Bang is being proposed by the Government.

Tomorrow the Department of Trade and Industry (DTI) will table an amendment to the Financial Services Bill. This would give the Trade Secretary powers to lay down rules for a scheme to compensate those who lose money if an authorised investment institution deals fraudulently or goes bankrupt.

The DTI's move comes in response to concerns that the schemes being set up by individual self-regulatory organisations (SROs) in the City may not all be adequate or offer similar levels of compensation, but the proposal has encountered hostility from the Stock Exchange whose compensation scheme is the best developed in the City.

A spokeswoman for the Securities and Investments Board (SIB), which has been set up to oversee the City's self-regulatory apparatus, said yesterday that the board supported the proposal. "Some form of scheme that offers equivalent compensation must be the central plank on investor protection," she said.

As it stands, the Financial Services Bill does not provide for a compensation scheme although the SIB's rule book talks of the need for one. One consideration that prompted the DTI's move was its decision this summer to grant SROs immunity from legal action. This concession, it was felt, needed to be balanced by a measure to strengthen the SROs' accountability.

The manner in which a scheme would be funded and the maximum levels of compensation will be a matter for discussion. The SIB has already publicly proposed a £30,000 limit, which it considers to be as high as is to practicable to cover most of the needs of small investors.

Although all SROs would have to join the scheme, they would still be allowed to make their own arrangement for higher compensation if they wished. The concern in the Stock Exchange is that its members could end up providing compensation for less well-regulated segments of the market.

## UK NEWS

# Chink in Whitehall's secret curtain

**Peter Riddell explains why pressure is growing for a change in the way the Government feeds sensitive political information to journalists.**

THE PARLIAMENTARY lobby is one of those quintessential British institutions which has survived a century but is now under challenge – like other Victorian restrictive practices, such as the Stock Exchange, the Law Society and Lloyd's, the London insurance market.

Paradoxically, the inspiration for the changes is not a Thatcherite belief in sweeping away existing institutions, but rather a revolt against the practices of one of British Prime Minister Mrs Margaret Thatcher's key advisers.

The point at issue is the way that the Prime Minister and the Government brief political reporters. In Britain, unlike the US and most continental European countries, the Prime Minister's press secretary talks to journalists anonymously, but the Guardian newspaper is now challenging this convention.

The lobby consists of journalists based at the Palace of Westminster, who report on the background to polities, the manoeuvring behind the scenes in the Cabinet, and among politicians. These journalists are distinct from the gallery reporters who cover debates in the chambers of the Commons and the Lords.

Membership of the lobby is a result of inclusion on a list kept by the Sergeant at Arms, who is chief administrator of the House of Commons. This was, initially in the 1880s, and still is, primarily to control the number of journalists in the Members' Lobby outside the chamber, and in certain other private corridors and bars where MPs meet.

It is this informal access to politicians which is the main advantage of lobby membership. The controversy arises over a different, and more recent aspect – the twice-daily briefing of the lobby as a whole by Mr Bernard Ingham, the Prime Minister's press secretary. He has served Mrs Thatcher since just after the 1979 general election.

These briefings are unattributable, which means that a spokesman's comments are reported in a way which does not identify the source. This leads to the use of a variety of euphemisms such as "Downing Street (or senior officials) believe…" or "ministers think." This system is open to abuse helping the Government set the political agenda and can make life too easy for journalists, but that depends on the journalists. Mrs Thatcher has, at times, indirectly floated through her spokesman criticism of rebellious ministers which she would not utter publicly.

The Guardian has proposed that its reporters should identify the source of the briefings as either a Downing Street spokesman, or as Mrs Thatcher's press spokesman. Mr Ingham has no proposals for change, and it is a matter for the committee of the lobby which is urgently considering the matter.

The timing of the Guardian's move has been influenced by the launch of the Independent newspaper in a week's time, because the Independent is proposing to boycott these unattributable briefings. In practice, the Guardian proposal is not radical since there have been several changes recently. Under the pressure of a reform-minded lobby committee it was agreed last year that briefings by the leaders of the Labour and Alliance parties would be attributable. Mr Ingham declined to go along with this idea in view of his position as a civil servant.

There have also been informal changes as the old cosy and secretive atmosphere has broken down and the lobby has grown in size and become younger. The previous rules of non-attribution had been steadily eroded by increasing reference to Downing Street or government officials.

The controversy is more of symbolic than actual importance because much of the information in political reports in this and other newspapers do not come from such briefing.

Yet, the continuation of the lobby system (and by this is generally meant the briefings) has assumed importance in the broader debate over government secrecy and freedom of information. The culture of Whitehall and the Civil Service in Britain is still dominated by the principle of the need to know rather than of the right to know.

Outsiders, including the press, are regarded with suspicion, and all information is carefully sifted. Curiously, the lobby system provides a way through this wall of secrecy. The information provided by spokesmen such as Mr Ingham is naturally intended to suit the Government's case because that is his job and it is up to the journalists to put it into context.

Putting such briefings on the record will, however, make little difference to the general bias towards secrecy in Whitehall. The British system is also compared unfavourably with the briefing of political reporters in other countries. For instance in the US, Mr Larry Speakes appears in front of television cameras as President Ronald Reagan's spokesman while in West Germany the Federal Chancellor's spokesman attends Cabinet meetings. But in Britain, Mr Ingham does not attend the weekly Cabinet and is briefed either by Mrs Thatcher or by her private secretary.

The extent of openness overseas should not, however, be exaggerated. Many Washington battles are often carried out through rival off-the-record briefings of journalists while many of former Secretary of State Mr Henry Kissinger's ideas were floated through the transparent device of only being referred to as a high state department source or official.

In Britain, the parliamentary lobby is unusual only in its prominence. There are parallel groups of other specialist journalists covering, for example, the Foreign Office and the Ministry of Defence, and they are arguably even more dependent on a single source or a more limited number of sources than those working in the adversarial world of Westminster.

# Olivetti poised to boost microchip research

BY PETER MARSH

OLIVETTI, the Italian electronics group, plans to expand long-term research with the setting up of three new laboratories in Britain and the US.

The UK base, in Cambridge, north of London, was recently opened. Two more research centres are planned for next year in California and in the Boston area.

The laboratories are part of a new strategy for long-term research that Olivetti directors are due to finalise by mid-October.

Dr Hermann Hauser, the Olivetti vice president responsible for research, said the three new laboratories would give Olivetti "a higher profile" in scientific research and development.

Dr Hauser is the former chairman and founder of Acorn Computer, the Cambridge-based computer company in which Olivetti took an 80 per cent stake last year.

The three laboratories will be in addition to three existing research bases run by Olivetti in Italy at Ivrea, Turin and Piza. These centres, complemented by other laboratories concerned with product-oriented research, employ about 150

# Expansion forecast for machine tools market

BY NICK GARNETT

THE UK market for machine tools is forecast to rise next year 14 per cent above the expected sales level for 1986, according to a study by the London Business School.

The forecast, which also predicts steady growth in the market into the 1990s, is much more optimistic about growth than British machine tool companies themselves have been in recent months.

The market this year has been relatively flat with the business school predicting total sales by the end of the year just 7 per cent up on 1985 at constant prices.

The business school, which has produced the forecast for the Machine Tool Trades Association, expects the UK market to total £788m next year.

Dr Sean Holly of the business school is also predicting steady growth from 1987 onwards, with the UK market exceeding £1bn in 1989 and £1.3bn by 1991.

"In constant 1980 prices this represents not only a return to the levels of 1979 but a rise of over 200 per cent on the low point of 1983," the association said yesterday.

# Trawl of private sector for ECGD job

By Christian Tyler

THE GOVERNMENT is inviting people from the private sector to apply for the job of running the Export Credits Guarantee Department (ECGD) when Mr Jack Gill, a career civil servant, retires at the end of the year.

It is one of the most senior government jobs to be put on the open market and the first time that the ECGD has looked outside for a secretary. Last year an industrialist, Mr Peter Levene, was appointed head of defence procurement at the Ministry of Defence.

The Government is ready to pay more than the £41,500–£43,500-a-year salary that goes with the ECGD job to the right person from the private sector. It sees the appointment as a three or four-year contract, perhaps on secondment, to begin with. Civil servants are also free to apply.

An internal re-organisation of the department, including outside appointments, is already under way to make it more competitive and efficient. The ECGD, one of the largest export credit insurers in the world with a risk portfolio of £30bn, has, in common with others, been hit hard by developing country debt arrears

# Contractors suffer from decline in business with Middle East

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

THE PROBLEMS of the John Howard Group, which decided to go into receivership last week, arose partly from difficulties in the Middle East. A large amount of its business is concentrated there.

John Howard, a medium-sized civil engineering company, specialises in coastal protection work, including sea walls, harbours and causeways. It has been affected by fewer orders and delays in payments resulting from the impact of lower oil prices on Middle East producers.

The problems for British contractors in the Middle East began to emerge clearly in February last year, when Henry Boot and W. S. Try put their joint venture, Intry – set up to build a £25m zoo in Saudi Arabia – into receivership.

The difficulties for contractors of declining oil revenues and delays in payment were compounded by growing competition from local contractors and from less expensive international construction companies. The problems have continued to *worsen, leading to a severe decline* in work by British contractors.

The value of contracts awarded to civil engineers alone has declined from £765m in 1982-83 to £535m in 1984-85.

"The figures for 1985-86 are due any day now, but from the feedback *from our members they* are certain to show a further fall of about 20 per cent as a result of the downturn in oil production, the growing proportion of work going to local contractors, and the fact that the infrastructure *is more complete*," said Mr Gareth Thomas, the Export Group's assistant director.

Two of Britain's biggest contractors, Laing and Wimpey, have had severe problems. Early this year, they put their Saudi Arabian joint-*venture company, Laing* Wimpey Alireza, into liquidation after nonpayment of more than £16m for work on major projects.

Several contractors are, however, continuing to work successfully in the area.

*Trafalgar House company* Cementation International has just completed the £225m Sultan Quaboos University in Oman

# Companies free to register logos

BY LISA WOOD

ABOUT 6,000 service companies in the UK are expected to apply to register trade marks for services when it becomes legally possible to do so on October 1.

Before the introduction of service trade mark legislation it had been possible only to register trade marks for goods. A registered trade mark is a monopoly granted by the state for a name or logo in relation to a specified product or products.

It has been possible to register trade marks for goods in the UK since 1876, but Britain has been slow to revise the legislation to include services, according to the Novamark/Interbrand group, the brand name development business.

"There has been an anomalous situation whereby Vidal Sasoon, for example, could register this name for shampoo but not for hairdressing services. Also, organisations such as Visa, Access, Hertz and Prudential have not been granted the trade mark protection in their brand names which the *state has* afforded to traders in goods."

The EEC is soon to set up a European Community Trade Marks Office expected to be operational by 1990.

# Electrical equipment output up 10% in year

By Terry Dodsworth

PRODUCTION of industrial, electrical and electronic equipment rose 10 per cent last year to £12.79bn from £11.66bn in 1985.

According to the Federation of British Electrotechnical and Allied Manufacturers' Association (Beama), exports for the year totalled £4.99bn against £4.20bn in 1984, representing 39 per cent of output, *or an increase of three percentage* points on the previous year's export performance.

Beama manufacturers, whose products exclude electrical consumer durables and computers, generated a favourable trade balance in the year of £519m against £338.1m in *1984. Exports amounted* to £4.99bn and imports to £4.47bn.

Beama said a separate study of the UK measurement and control industry showed that it had been growing in real terms at a rate of 4.8 per cent for the past five years.

*Annual production in this sector* was running at a rate of £228m a year, the survey showed, and growth was expected to continue at a rate of about 3.5 per cent over the next few years.

# Safety fears for industry

BY OUR LABOUR STAFF

THE ACCIDENT rate in British industry will continue to rise unless trade unionists take action to improve health and safety at work, the Trades Union Congress (TUC) says.

In a set of guidelines for safety representatives and safety committees, published today, the TUC says that government cuts in the number of health and safety inspectors mean that workers will have to play more of a role in ensuring employers meet health and safety standards.

"There are plans to relax health and safety laws and to lift alleged health and safety 'burdens' from small firms. In reality, however, it is workers who will have to bear the burden in the form of more injuries and ill health caused at work," the guidelines say.





# UK NEWS

## Television sector 'decently profitable'

By Raymond Snoddy

FINANCIAL PROSPECTS of independent television companies have undergone a significant transformation, according to a review by stockbrokers Kleinwort Grieveson.

"ITV is becoming a decently profitable *commercial business* rather than an overly regulated branch of public service broadcasting," said Mr Luke Johnson, a media and communications analyst at Kleinwort Grieveson and one of the authors of the review.

ITV shares have traditionally been seen in the City of London as yield rather than growth stocks because of a reputation for over-regulation and the possibility of franchise loss. The rejection of advertising on BBC television by the Peacock Committee, the present dramatic upsurge in advertising revenue and the likelihood of an extension of franchises beyond 1989 have transformed the outlook.

"ITV companies in reality offer excellent growth prospects, and their ratings should reflect this," Kleinwort Grieveson argues. At the moment, typical ITV ratings are eight times prospective earnings compared with the FT Industrials average of 13.5. This gap is likely to narrow, the stockbrokers argue.

Kleinwort Grieveson recommends three of the 13 quoted ITV companies, Scottish, Television South and Ulster, as "strong buys" and a further nine as "buys." Television South West is rated a "strong hold."

The review also makes clear that three quarters of the ITV companies have benefited from the recent changes in levy – the special tax on ITV profits. The levy rate, after a free slice of profit, was reduced from 66.7 per cent to 45 per cent on domestic profits although a levy of 22.5 per cent was imposed on foreign sales. ITV will gain at least £4.6m from the change, Kleinwort estimates.

The stockbrokers also highlight the wide differences in the average turnover per employee in the ITV system – largely because of the different programme-making responsibilities of large and small companies. The average figure for Thames, the largest ITV company, is £83,397. Yet for Television South, not one of the big five network companies, the figure is £118,497 per employee.

## Flour millers predict tight market for grain despite good harvest

BY ANDREW GOWERS

FLOUR companies, which suffered from last year's poor-quality cereals harvest, are predicting that the market for grain of milling quality will be tight again this year, despite an abundant crop.

The Ministry of Agriculture has forecast a total grain crop of 25m tonnes this year while a survey conducted by the National Farmers' Union yielded a figure of 24m tonnes. Both figures suggest the second-largest harvest on record, following the bumper crop in 1984.

However, a leading flour-miller, which asked not to be named, has said that harvest this year is "very patchy." Protein content – an important measure for milling wheat – is down from last year, which was itself of relatively bad quality, it says. In Scotland, the harvest is far from complete and looks particularly poor, chiefly as a result of the recent Hurricane Charlie.

This is ominous news for the millers, who had to spend large amounts importing wheat from outside the EEC last year to supplement home-grown grain. Flour and bread prices rose quite sharply as a result. The flour-millers appear to be trying to prepare public opinion for the possibility that bread prices will stay up this year.

Companies in the £1bn-a-year flour-milling industry include Allied Mills, Ranks Hovis McDougall and Spillers. The quality of the UK cereals harvest is one of the key factors in their profitability.

Another factor which will limit the availability of UK grain this year is the poor harvest in France and Spain, which have suffered from a severe drought

# THE ARTS

## Architecture/Colin Amery

# ROH plans merit full support

The slow renewal of the nation's cultural institutions gathered momentum last week with the announcement of the complete refurbishment and enlargement of the Royal Opera House, Covent Garden, and the development of the Tate Gallery into a cluster of new museums. The preparations for the Tate of the North continue at the magnificent Albert Dock in Liverpool.

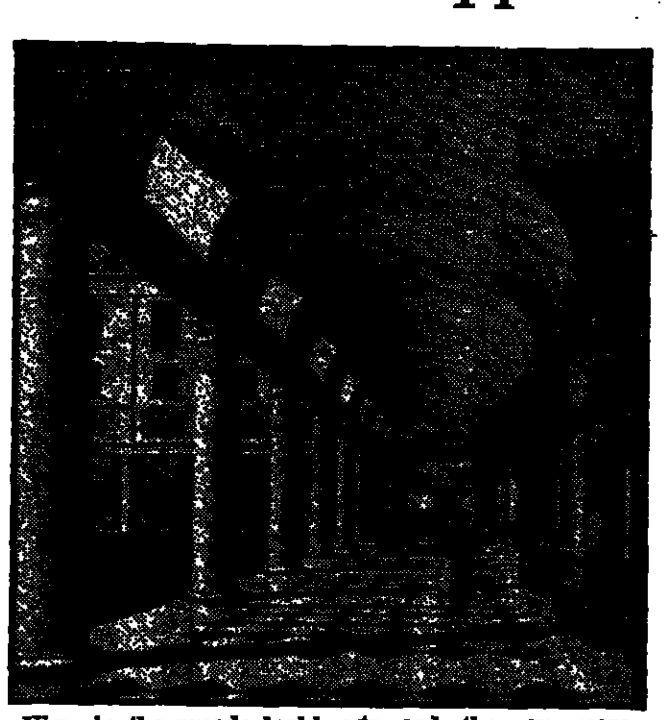
The development of the Tate into a huge patchwork of museums for different elements of the collection is an incredibly ambitious project and one that will be entirely dependent upon private funds. The expansion has been planned by James Stirling Michael Wilford and Associates and is architecturally eclectic, following the approach adopted for the Clore Gallery soon to open as the Turner Museum.

As the Tate Gallery proposals are all dependent on very long-term private fund raising it seems more topical to look at the plans for the Royal Opera House, about to be considered for planning permission. Not that the Opera House has the money for its scheme, but as it is a mixture of commercial and cultural uses there is a shortfall only of some £20m; that, it is hoped, will be found from private sponsors.

The architects for the Opera redevelopment are Jeremy Dixon and William Jack of the architectural practice Jeremy Dixon/BDP. They were selected by an international competition in 1984. The proposals can be seen in an exhibition of models and drawings and some specially commissioned paintings by Carl Laubin on show in James Street behind the Opera House), daily except Sundays.

The Covent Garden plans involve a considerable redevelopment of a corner of the Inigo Jones Piazza, the Floral Hall, properties owned by the Opera House on James Street, Floral Street and Long Acre. It is a complex piece of stitching and addition. It has two main purposes: to modernise and refurbish the Opera House front and backstage, and to provide shops and offices that will pay for most of the operation.

Looking at all the diagrams and those phased maps beloved of all developers, and considering the size of the site and the awkwardness of this tight corner of London, it would be a perfectly sound reaction to ask: why not demolish the present Opera House and start again? Or sell up and move the whole operation to the South Bank? Why not do what the Met did in New York and make the Royal Opera House the centre of an urban renewal project — a Lincoln Center in Docklands?



View in the arcade looking towards the new opera House entrance

In fact the proposals are much cleverer and more subtle than the more obvious ways of redevelopment. The architects and their clients have created a scheme that heals the remaining gashes in Covent Garden and respect the widespread affection that exists for the present 1858 E. M. Barry theatre. Quite rightly everyone has realised that one of the best things about going to the opera is the sheer red and gold tiered richness of the Victorian auditorium. There may not be enough leg room in the stalls and the rake may be inadequate; it may not be the most comfortable house in Europe, but to enter it is always to enjoy a moment of cosy richness.

There are many glories in the new plans that will enhance this pleasure: a new entrance from a new arcade in the Piazza will supplement the Bow Street entry; a new double spiral staircase, wide and handsome, will serve all levels of the theatre and at its foot will be plenty of much needed milling space; and the roofs of the new arcades will offer the opportunity for audiences to parade beneath pergolas at a high level above the Piazza.

What of the architecture? If you imagine yourself standing in the centre of the Piazza you will see (on what is now Clifton Nurseries) a stone-faced five-storey plain classical building with a fine Doric colonnade at its base. The arcades are double height barrel-vaulted spaces. The square openings that pierce the vault let the light in, Uffizi style. This is the most satisfactory architectural treatment in the scheme. Other elements, particularly the curved entrance to the offices on Bow and Russell Streets, are full of present day architectural uncertainty.

What is right and effective is the decision of the designers to treat different elements of the scheme in different ways. In true London fashion Jeremy Dixon sees the point of the casual amalgam of different styles.

It must be said that as a subtle plan for an historic and important part of the capital this scheme cannot be faulted. It manages the delicate balancing act of culture and commerce in a way that makes nonsense of the creation of artistic ghettoes. Covent Garden's attraction has always been the clash of opera and the workaday world.

As a theatre it has never had the empty grandeur of the Paris Opèra, the delicacy of the Fenice or the stylish panoply of La Scala. But it has always had a sense of venerable occasion and glamorous seediness that comes from being well-integrated into the city. The proposals on show deserve all the support they can get because they keep and enhance the sense of place that is so vital to Covent Garden.

## The Mikado/Coliseum

**David Murray**

No opera-lover is going to begrudge the English National Opera a popular money-spinner — wider benefits accrue from a lucky hit. Jonathan Miller's new version of *The Mikado* ought to do nicely: it is almost as funny as the original, and musically it is cast for the first part of the run, at least, from strength. It doesn't try so frenetically hard as David Pountney's Offenbach show did last year, and — with the asset of superlative diction from everybody — the comedy reaches better into the big auditorium.

As you will have heard, Miller has jettisoned all the *japonaiserie*. He reasons, I take it, that no real Japan past or present has anything to do with the comic tale (and besides, mock-Japanese costumes are costly). Instead he has turned, logically and inconsequently, to another irrelevant period which can be made fairly funny itself. Stefanos Lazaridis' handsome single set is a between-the-wars Grand Hotel fantasy in white (so much of a piece with the current Pountney - Lazaridis house style that one suspects some thrifty cannibalisation). The one little splash of colour is the Japanese landscape we glimpse through the ballroom in a decaying antechamber.

In black, grey and white the chorus are lounge lizards, grandees, bellboys and maids. The principals are—well, simply the principals (Miller wastes no time on play-within-a-play devices), dressed in period with an extra degree of fantasy. Eric Idle's Lord High Executioner has lank commercial-traveller locks and seedy pinstripes, and Richard Angas's Mikado becomes a gracious white whale in Sue Blane's inspired costume. The Pretty Maids are of course Bright Young Things, as surely they always were. The choreographer Anthony van Laast sets his rouged bellboys and pert maids to 1920s-musical capering, with fixed furious smiles.

As the ENO's guest Ko-Ko, Idle justifies their premise that Ko-Ko isn't really a singing role. "Titwillow" just about survives, the madrigal and roundelay lose a bit. (One recalls the Met Auditions story. Singer, after ill-assorted arias: "My teacher and I can't decide—would you say I was a tenor or a baritone?" Impresario: "No.") He is adequately funny, with nice lines in practice neck-chopping and grovelling at the Mikado's boots, tongue at the ready, though his laid-back version of the character doesn't do justice to Ko-Ko's farcical terrors.

The juvenile leads are bouncy Bonaventura Bottone, a Nanki-Poo in co-respondent shoes, and Lesley Garrett as the preening Yum-Yum. They sing delightfully, and they gain from Miller's dis-location: when Gilbert's dialogue is too ponderously jokey, they can deliver it with arm's-length distaste. As Pitti-Sing and Peep-Bo Jean Rigby and Susan Bullock give ripe, sexy support with the expected St Trinian's touches.

By contrast, Richard Van Allan's frosty natural dignity makes him an over-cool Pooh-Bah: properly plummy, but insufficiently fruity. Losing the laugh *both* times on the line about lending verisimilitude to an otherwise bald and unconvincing narrative seemed careless, and venality is not his style. His fine bass is a pillar of strength. Mark Richardson offers a Pish-Tush on just the right scale, a quizzically bland Northerner in blench-making provincial togs.

Felicity Palmer's Katisha is a splendid monster, full-voiced and ferociously musical: it is a part she was born to sing (though only for a few weeks), and she does it no holds barred. The arrival of Angas's Mikado makes no less of a sensation, and is no less well sustained by his lethally gentle, interested, friendly address.

The conductor Peter Robinson takes good care of the score; he doesn't disguise Sullivan's occasional pit-band orchestral sound, but he loses few of the happy instrumental ideas (in which Sullivan, given his conservative way, was notably fertile). Two or three familiar singalong numbers are taken far more deliberately than in the hallowed tradition: purists will object, and I heard no point in adding grandiosity to an evening which has no jokes to make about public pomp. (I learned my G & S mostly under the auspices of a fanatic fellow-student in college drama, Graham Day, who nowadays figures on other pages of this paper: it is pleasing to learn that he retains his taste for executions.)

"I've got a little list" and "Punishment fit the crime" are as usual updated, with catholic lists of targets. From Idle and Miller one might have expected some sharper barbs; but Miller has been tactfully restrained about interpolating much, once the basic shift was fixed. There is a dance by headless victims, by way of helpful illustration at one point, and a few other marginal notes. Some two or three scenes go a trifle flat for want of new visual ideas. But the cast drives the story along, and the coolly mocking ambience is sympathetic (certain Marx Brothers movies served as an ideal), and much of Sullivan comes up bright as paint: a good evening.

Alastair Muir

Eric Idle and Felicity Palmer

## The Capture of Troy/Grand, Leeds

**Max Loppert**

On Saturday in the Grand Theatre, Leeds, there was unveiled the first instalment of Berlioz project currently occupying three British companies — a production of *Les Troyens* supported by IBM and shared by Opera North, Welsh National Opera, and Scottish Opera. Opera North give the first ten performances of the opera's Trojan acts (the Leeds showings are followed by those in Nottingham, Manchester, and Hull). Early next year WNO join the Carthaginian remainder thereto for a complete staging. Berliozians have been waiting for operations to commence with ever-growing excitement. In many respects the premiere will have surpassed their highest expectations.

Up to now all three professional British productions of *The Trojans* (two at Covent Garden, one by Scottish Opera) have followed, to a greater or lesser extent, the traditional line of Grand Opera spectacle. Such an approach must naturally be out of the question for these particular touring-company purposes; and in any case it appears to have been the express intention of the producer, Tim Albery, and designers, Antony McDonald and Tom Cains, to pursue exactly the contrary line of Berlioz thought. The idea of The Trojans as a monster of theatrical unwieldiness and inertia has taken a heavy battering in the three decades since the world's opera companies — led, of course, by Britain — actually started exploring the work; by this intimate, hard-driving, immensely stirring *Capture of Troy* it must surely begin to be laid to rest forever.

The production is intensely dramatic. That is, of course, true of the Trojan part of the opera itself, a two-act structure directed without falter or let-up to climaxes of explosive power (if any incomplete form of *The Trojans* has to be given, it is the first part that stands better on its own). But of the production I have seen no other has hurled those two acts forward with such fierce, tensile urgency: my hair was still standing on end half an hour after the last curtain had come down.

Though its effect is far from negative, the style might well be described in negatives—non-opulent, non-ornate, non-Second-Empire-exotic. Hard concrete surfaces make up the stage box, broken up with light-apertures and patterned in bold semi-abstract motifs. Segmented panels drop to suggest changes of location; costumes are starkly monotone (black for the muddy-faced chorus, brilliant red for Cassandra, and so on).

Behaviour is the opposite of opera-house regimentation. The chorus press forward (somewhat clumsily at the start) into the focus-points of the action; the theatre space is elided in strikingly imaginative non-naturalistic ways, almost all of which afford exactly the sort of economic impact and speed of movement on which *The Capture of Troy* thrives. The treatment of the invisible horse is one example of Albery's hard-edged inventiveness, that of the whole final scene another (I shan't spoil either by telling). The characters in the foreground are passionately played. Even where details can be argued over — the too-feminine presentation of Aeneas' son, or the expressionist pantomime for Andromache (the Rambert dancer Lucy Burge) — one is gripped. The pull is unrelenting; it was positively painful that on Saturday Troy tension was not followed by Carthage relaxation.

The claustrophobic atmosphere of this performance is sustained with no less determination by David Lloyd-Jones and the excellent English Northern Sinfonia and outstandingly fine opera North chorus. After a slightly nervous start the pacing was faultless; the acrid scoring cut through the theatre with stinging harshness.

Even someone who believed he had become accustomed to the sheer originality of Berlioz's genius was shaken anew by the echoing chorus-effects of the Octet or Cassandra's despairing cry of "Malheur!"—or "Beware!", in the generally clear and sensible new translation by Hugh Macdonald. Mr Macdonald has also orchestrated, and the conductor inserted, an extra scene—for the Greek captive Sinon—that Berlioz removed at a late stage (it exists only in piano score). The added narrative detail is useful, but the interruption of the tremendous contrast between Andromache's quiet departure and Aeneas's hair-raising first entry makes for more loss than gain.

As Cassandra, the American soprano Kristine Ciesinski is handsome, serious, intelligent, and very moving, even though the voice cannot produce in its upper range the necessary strength and firmness of line. Another American, the tenor Ronald Hamilton, makes a reasonably promising first British appearance as Aeneas; the most elegant Berlioz singing came from the Chorebus of Richard Slater, a British baritone active in Germany (I remember with admiration his performance in the Kiel production of Tippett's *Ice Break*).

## Circle/St John's, Smith Square

**Dominic Gill**

Friday's concert presented by the Society for the Promotion of New Music by Circle (the instrumental sibling of Singcircle) and conducted by Gregory Rose fell between two stools—it was neither the characteristically adventurous programme of a Circle concert proper, nor for that matter a typical SPNM event for new and unknown composers (the programme was cautious, middle-of-the-road, and only three of the six works on it were first-time premieres).

All of the pieces, however, had the virtue of brevity: none outstayed its welcome. Robin Grant's *Dumbshow* was a lively, colourist essay for six instruments, 10 minutes long, with a firm grasp of simple, economical instrumental combinations. David Sutton-Anderson's (b. 1956) *Sound of the Falcon* for flute, oboe and E flat clarinet lasted a mere three minutes, and was perhaps the evening's most original offering: brief and to the point (no programmatic link was declared with Gorky's violent symbolic story of the same name), with pungent Stravinskian undertones.

*Songs of a Just War* for soprano and six instruments by James MacMillan (b. 1959) sets texts by Neruda, the Scottish poet William Soutar and the modern Chinese poet Tsou ti-fan. There is some lively and arresting invention (I specially liked the recurring harmonic motif in the Neruda setting): but the dramatic impetus flags about half way through — perhaps some tightening up, and some judicious heightening of colour, could still be worthwhile?

Barry Mills's *Harp Sketches* are a genial collection of little studies for solo harp, rather more rewarding to study and to play, I should guess, than to hear E. J. Van Zandt's *El Oro de los tigres* sets six tiny Jose Luis Borges poems in the style of the Japanese *tankas* for soprano, clarinet, cello and harp: a pleasing idea, unassumingly executed. The score *looks* nice. *Fragments' Run* for soprano and four instruments (including bass clarinet and soprano sax) is not one of the strongest works of the talented Mexican composer Javier Alvarez, who now works in London: around eight minutes long, it is a studentish essay, decent, well made, but uncharacteristically careful, low-key unadventurous. Good, accurate playing by and large from the ensemble; strong performances from the two sopranos Elleen Hulse and Nicole Tibbels.

## Obituary/Sir Robert Helpmann

**Clement Crisp**

Sir Robert Helpmann died in Sydney, Australia, yesterday aged 77. Robert Helpmann studied dancing in his native Australia and appeared as a student with Anna Pavlova's company during its Australian tour. In 1933, he arrived in London and was seen by Ninette de Valois, who engaged him for her young Vic Wells Ballet. Within a year Helpmann had danced the role of Satan in de Valois's *Job* and partnered Alicia Markova in the full length *Swan Lake*.

For the next 17 years Helpmann was to be the leading male star of the company, treasured by critics and public alike for the vivid strength of his dramatic performances, and especially for his extraordinary comic skill.

He was of extreme importance to the ballet during the war years, both as a leading dancer of rare versatility in a celebrated partnership with Margot Fonteyn and then as choreographer. His first ballet *Comus*, produced in 1942, was an adaptation of Milton's masque and combined Helpmann's double career as actor (he was to make distinguished appearances in the theatre beginning with Oberon in *A Midsummer Night's Dream* at the Old Vic in 1937) and dancer. He followed this in the same year with *The Birds* and *Hamlet*, which probably remains his finest creative achievement. Two years later came his sensational *Miracle In The Gorbals* which dealt with a Christ-figure returned to the Glasgow slums.

Helpmann's theatrical career, included leading roles at Stratford-Upon-Avon and the Old Vic, where he played Hamlet, and he was seen in many films most notably *The Red Shoes* and *Tales of Hoffman*.

In 1965 he became director of the Australian Ballet with Peggy van Praagh and for a decade guided the company and produced further ballets while also continuing to lend his extraordinary presence to such mime roles as Don Quixote and The Red King in *Checkmate*, which he performed just six weeks ago in Sydney.

Robert Helpmann was a potent presence in the theatre. He brought a powerful romantic manner to the traditional round of balletic princes but he was especially loved for the tireless wit of his comic interpretations. His importance to the emergent Vic Wells Ballet, which grew into the Royal Ballet, is impossible to over-estimate, especially in view of his tireless wartime performances and creativity. For the Australian Ballet he was to prove a no less valuable and influential figure.





# Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

## Music

September 26-Oct 2

### LONDON

**London Symphony Orchestra** conducted by André Previn, with Emanuel Ax, piano. Mendelssohn and Brahms. Royal Festival Hall (Tue). (928 3191).

**Scottish Chamber Orchestra**, directed by Jaime Laredo. Mozart, Mendelssohn and Vivaldi. Barbican Hall (Tue). (638 8891).

**London Philharmonic**, conducted by Klaus Tennstedt, with Maya Weltman, piano. Gluck, Beethoven and Strauss. Royal Festival Hall (Wed).

**London Sinfonietta** and Chorus, conducted by David Atherton; with Philip Langridge, tenor; Stephen Roberts, baritone. Tippett and Britten. Royal Festival Hall (Thur).

### PARIS

**Paul Kuentz Orchestra** and Choirs: Haydn's Seasons (Tue). Saint-Severin Church (4633 8761).

**Orchestre de Paris**, conducted by Daniel Barenboim; with Siegfried Jerusalem, tenor; Dietrich Fischer-Dieskau, baritone; Helmut Pampuch, tenor. Wagner's Siegfried, 1st Act (Wed). Salle Pleyel (4561 9607).

### NETHERLANDS

**Rotterdam**, De Doelen. Antoni Ros-Marba conducting the Netherlands Philharmonic, with Maria Tipo, piano. Honegger, Mozart, Haydn, Ravel (Mon). Nikita Magaloff and Michel Dalberto, pianos. Brahms, Schumann, Rachmaninov (Tue). Recital Hall: Mark Lubotsky, violin, and Boris Berman, piano. Beethoven (Wed). (414 29 11).

**Utrecht**, Vredenburg. The Hague Philharmonic under Alain Lombard, with Rian de Waal, piano. Fauré, Rachmaninov, Debussy, Prokofiev (Thur). Recital Hall: Noel Lee, piano. Debussy (Wed). (31 45 44).

### ITALY

**Milan**: Teatro alla Scala: Gary Bertini conducts Mahler (Wed and Thur). (80 91 26).

**Bologna**: Teatro Comunale: Alfred Brendel (piano). Beethoven and Liszt (Mon). (22 29 99).

### NEW YORK

**New York Philharmonic** (Avery Fisher Hall): Zubin Mehta conducting, André Watts piano. Husa, Schubert, Liszt (Tue); Zubin Mehta conducting, Pinchas Zuckerman violin. Mozart, Strauss (Thur). Lincoln Center (874 2424).

**Merkin Hall** (Goodman House): Wind Ensemble; with Olegna Fuschi piano, Rebecca Scott, soprano; and Jean Kopperud, clarinet. All-Eric Ewazen programme (Mon); Danielle Woerner, soprano, recital with the St. Michael's Madrigalists; Robert Schwartz, piano; Jean Kopperud, clarinet; Robert Barrows, harpsichord; Lesley Retzer, baroque cello. Monteverdi, Carissimi, Schubert, Otto Luening (world premiere), Berlioz (Tue); Music Today, Gerard Schwarz conducting. Robert Beaser, Villa-Lobos, Wolpe, Christopher Rouse (Wed); Judith Norell harpsichord recital. Bach, Haydn, Ligeti, Henze (Thur). 67th w. of Broadway (362 8719).

### CHICAGO

**Chicago Symphony** (Orchestral Hall): Sir Georg Solti conducting. Vivaldi, Hanson, Copland, Ibert, Beethoven (Thur). (435 8111).

### TOKYO

**Sviatoslav Richter**, piano; Yuri Bashmet, cello. Shinjuku Bunka Center. (Mon). (235 1661).

**Tokyo Metropolitan Symphony Orchestra**, conducted by Zdenek Kosler. Dvořák, Janáček. Tokyo Bunka Kaikan. (Tue). (822 0727).

**NHK Symphony Orchestra**, conductor: Wolfgang Sawallisch. Soloists include Lucia Popp, Alicia Nafe, Peter Seiffert, Bernd Weikl. Special programme to celebrate the orchestra's 1,000th subscription concert. Mendelssohn's Elijah. NHK Hall (Wed). (465 1780).

**Eliso Virsaladze** (piano): Mozart, Shostakovich, Schumann. Tokyo Bunka Kaikan Recital Hall. (Wed). (235 1661).

**Take (Bamboo) Group**: Concert of traditional Japanese music including Shakuhachi (bamboo flute), koto (horizontal harp) and shamisen (banjo) by one of Japan's premier ensembles. ABC Hall near Shiba Koen subway (Mon). (898 3221).

## The Valkyrie/Covent Garden

**Rodney Milnes**

Among the many interesting things about Göran Järvefelt's production of the *Ring* for the Welsh National Opera, currently on tour at Covent Garden, is the muted and at times downright hostile reactions it has drawn from the Press. Perhaps this is because it is directed not so much from abstract stimuli triggered off by the music, or from the libretto whether in the original or in a translation, but very firmly from one particular translation—Andrew Porter's. In effect, it is directed as if it were a play. This brings a danger of it seeming a prosaic *Ring*—an adjective frequently used to describe it in print—but to my mind it is a danger totally avoided.

The vivid dramatic response in last Saturday's performance of *The Valkyrie*, which is essentially a series of duologues, brought very real benefits in the meticulously detailed depiction of the growing bond between Siegmund and Sieglinde and of the latter's mental breakdown in the second act, and in the sense of Wotan, Fricka and Brünnhilde being husband, wife and daughter as well as divinities. With all this on stage and Richard Armstrong and the WNO Orchestra supplying a grand but controlled musical overlay, you have a properly many-layered account of the work, one to which the audience can respond at whichever layer it chooses.

Concentration — and no audience in this particular theatre can have concentrated so breathlessly on the dialogue in a Wagner opera since the war—is aided by the simplicity of Carl Friedrich Oberle's decor, altered and much improved since the premiere two years ago (though I miss the mountainscape cloth in the second act, and the new *Feuerzauber* is tame), and consistency of principal casting in what is essentially an ensemble *Ring* has ensured a depth and purpose of characterization that easily outweighs any doubts about voices that may not always "speak" as forcefully at Covent Garden as they do in the smaller theatres where the company normally plays.

Not that any adjustments have to be made for Anne Evans as Brünnhilde. Her recent experience of Kundry seems to have added extra weight and colour to the middle of her voice to match her fearlessly radiant top, and the gleaming intelligence of her portrayal puts her straight in the upper echelons of exponents of the role today. Kathryn Harries's Ibsenesque Sieglinde is likewise a total success: if Warren Ellsworth (Siegmund) does not always phrase with traditional smoothness, his tone is certainly traditionally heroic and his physical performance—Jungle Boy movements reminding you of his lupine parentage—remains utterly riveting.

Newcomers since the Cardiff premiere include Penelope Walker's crisply enunciated, awarely sung Fricka and John Tranter's thunderously malevolent Hunding. There are enough ringing soprano Valkyries to suggest that the company need not fear for future Brünnhildes (less in the way of potential Erdas, though). The one problem that refuses to go away is Phillip Joll's Wotan. His delivery of the text is admirably clear, and he shows more awareness of the god's predicament than before, but there are patches in the voice that under pressure lose definition of tone. It's a case not so much of a wobble as of a lucuna, and it's very worrying.

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Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday September 29 1986

# A big bang in commodities

AS THE City of London plunges ever deeper into the competition for international equity and bond business another group of markets is looking curiously left out.

Until recently London's commodity exchanges seemed all but impervious to the kind of revolutionary changes under way elsewhere in the financial community. Even now they are proving extremely slow to adapt to the idea that they, too, are competing for business with other centres. They are likely to emerge into the 1990s much the poorer unless the process of change accelerates.

The London commodity markets—those in metals and produce as opposed to financial futures—are in no shape to square up to the powerful US exchanges which dominate the futures business. They have stronger links with the physical trade in many of their products, to be sure, but in most cases, they are suffering from a chronic lack of liquidity. They are hopelessly fragmented—and some of them are still relatively costly places in which to do business.

Large amounts of investment business, crucial to the health of an exchange, wander across the Atlantic from Europe to Chicago—in agricultural as well as financial futures. Sugar trade is leaking increasingly from the London Commodity Exchange to New York and Paris. The domestic agricultural futures market—while quite successful in some areas—is experiencing grave difficulty getting new products off the ground; so are relatively new bodies like the Baltic International Freight Futures Exchange and the International Petroleum Exchange.

The London Metal Exchange, although still the premier market for pricing a number of commodities, is suffering more than any other from a lack of speculative interest in the wake of the tin crisis. It is also proving the most reluctant to change and the most determined to continue asserting its independence.

There are perfectly good historical reasons why the commodity markets should be spread around the City in separate compartments but since the 1970s this fragmentation has looked more and more like an anachronism.

For one thing, the indigenous companies trading commodities in London have increasingly merged or spread across the markets over the years. Where each market used to boast a quite different set of members a number of traders which use the LME and the LCE are now bound by common threads of ownership. Yet these consolidations have not been matched by a pooling of resources by the markets themselves.

Secondly, there has in the last few years been an influx of American commission houses which will trade on any active market. They would arguably do more business in London if the costs were lower and if it were easier for them to switch from one market to another. Neither they, nor the home-grown multinational trading houses, have any in-built loyalty to London. Indeed, with communications becoming faster and less flawed all the time, there is no reason why business should not flow increasingly in future to the place where trading is most active.

### *Fundamental problems*

Some steps are already being taken in the right direction. The LCE has streamlined its activities considerably since the beginning of this year and will have the opportunity for further improvements when it moves to a new headquarters next Easter. The LME has agreed to update its trading systems — though not yet to an extent which will satisfy City regulators — and has shown commendable candour, at least, by publishing a report which calls for a thorough management overhaul.

Yet none of these developments fully addresses the fundamental problems of how to win back lost business and how to attract fresh interest by developing new products. Mr Saxon Tate, the LCE chairman, thinks part of the answer is to invite in "locals" who would trade on their own account and boost liquidity — much as in Chicago or on London's financial futures market. He would also desperately like to share his costly new premises with the other markets.

Whatever the short-term economics of a move, the long-term advantages to the markets of joining forces might be considerable. Research, marketing and regulatory costs could be reduced and the efficiency and flexibility of the markets could be improved without necessarily compromising the distinct character of each exchange.

Above all, London would be in a better position in commodities, as in stocks and bonds, to exploit its substantial natural advantages as a trading centre. Together, the markets may well be stronger than they are in their present divided state.

# The power of business gurus

IN A few weeks' time one of Britain's leading commercial television stations will start showing a major weekly series of programmes on The Business of Excellence. Featuring Tom Peters, Kenneth Blanchard and a galaxy of other gurus, most of them American, the Thames TV series marks the latest stage in an explosion of popular interest in management which has swept the western world since 1983.

Almost inevitably, it was in the US that the fashion first took root. Starting with Peters' In Search of Excellence and Blanchard's One Minute Manager, a small library of stylishly simplified books on business has each sold several million copies. One of the most recent is Iacocca, as told by the irrepressible Chrysler chairman himself: published just two years ago, its sales will soon shoot past the remarkable, more than 5m which Excellence has notched up since 1982.

Sceptics have expected the fashion to fade away, like celebrity keep-fit manuals before it. In the US, the wave of million-sellers has certainly faded, but it has been succeeded by a very steady flow of books selling several hundred thousand each—a level which would have been unthinkable a few years ago.

### *Widespread reaction*

In Europe, the fashion is still gathering momentum. The next 12 months will see the publication of several works by well-known chief executives trying to emulate Lee Iacocca's success. Their efforts are welcome: one of the most striking aspects of the boom in Europe is the reluctance of European managers to countenance home-grown ideas, particularly if they come from just across the frontier.

The factors behind the boom on both sides of the Atlantic, and the ideas beneath the veneer of Americanised homily and overstatement which mar most of the books, have been examined in depth in a Management Page series on The Guru Factor which concludes today.

In essence, the fashion was born out of a widespread US reaction against two sorts of conventional wisdom: the notion that Western business was virtually helpless in the face of Japanese competition; and the much older convention of management as an entirely rational process centred upon dictate, system and bureaucracy.

Instead, Excellence and the other books have all examined examples of Western companies such as IBM, Hewlett-Packard and 3M which are more than facing up to the Japanese by combining the "hard Ss" of management (strategy, structure and systems) with a more human approach—what McKinsey & Co has neatly dubbed the "soft Ss" in which staff, shared values, style and skills are all given a new emphasis. Rejecting the view of management as distant manipulation—often of an overwhelmingly financial character—the gurus have rediscovered the old virtues of paying close attention to the customer, the employee, the product and the factory.

Few of the gurus make much claim to originality. Most see themselves either as the voice of common sense after several decades of over-elaborate, and oscillating management fashions, or as re-interpreters of impenetrable academic ideas which go back between 50 years and 2,500 years.

Yet their view of management is, in one sense, a breakthrough. It at last recognises the process as a highly complex one full of paradox and ambiguity in which previously conflicting notions of centralisation and decentralisation, instinct and systematic logic, leadership and employee initiative all have to co-exist.

To accuse the gurus en masse, as some have done, of being impractical theorists, ignores the fact that the creation of any sort of change requires intellectual leadership, as well as a large army of doers ready to carry out all the leg-work of implementation.

What the best of the gurus are doing is to help raise the level of analysis and decision-taking in companies, while also reminding them of some key basic principles of human relations. In the process, the gurus are helping breed a new generation of managers who are better balanced than their predecessors.

THE FRENCH ECONOMY

# A hard climb to higher growth

By David Housego in Paris

THERE is a moment in climbing a mountain when the legs begin to flag, the breath comes short and the top still seems a long way off. The recovery of the French economy is roughly at that stage.

After five virtually flat years, activity has picked up at last, with real GDP expanding at about 2.3 per cent this year and slightly more rapid growth possible in 1987. But there is also disappointment that despite the windfall bonus of falling oil prices and the drop in the dollar, growth is not faster and French industry has not drawn more benefit from it. As in previous recovery cycles, much of the increase in internal demand has been siphoned off into imports and the expansion of exports has been slow.

So although Mr Edouard Balladur, the Finance Minister, has found grounds for a new optimism about the performance of the economy, the fact remains that his government faces an increasing need to show results ahead of elections due to take place within 18 months.

Despite the disappointment at this "tepid" rate of expansion—as one foreign economist calls it—there are other signs of more fundamental changes at work which in the long run bode well for a higher level of sustainable growth.

The French car industry—indirectly the employer of one in 10 of France's industrial workforce—has begun to regain market share both domestically and in Europe. "This is a shift in trend from what we have seen in recent years," says Mr Albert Merlin, chief economist of Saint Gobain, the glass and engineering group, "and for manufacturers of glass it is a good thing."

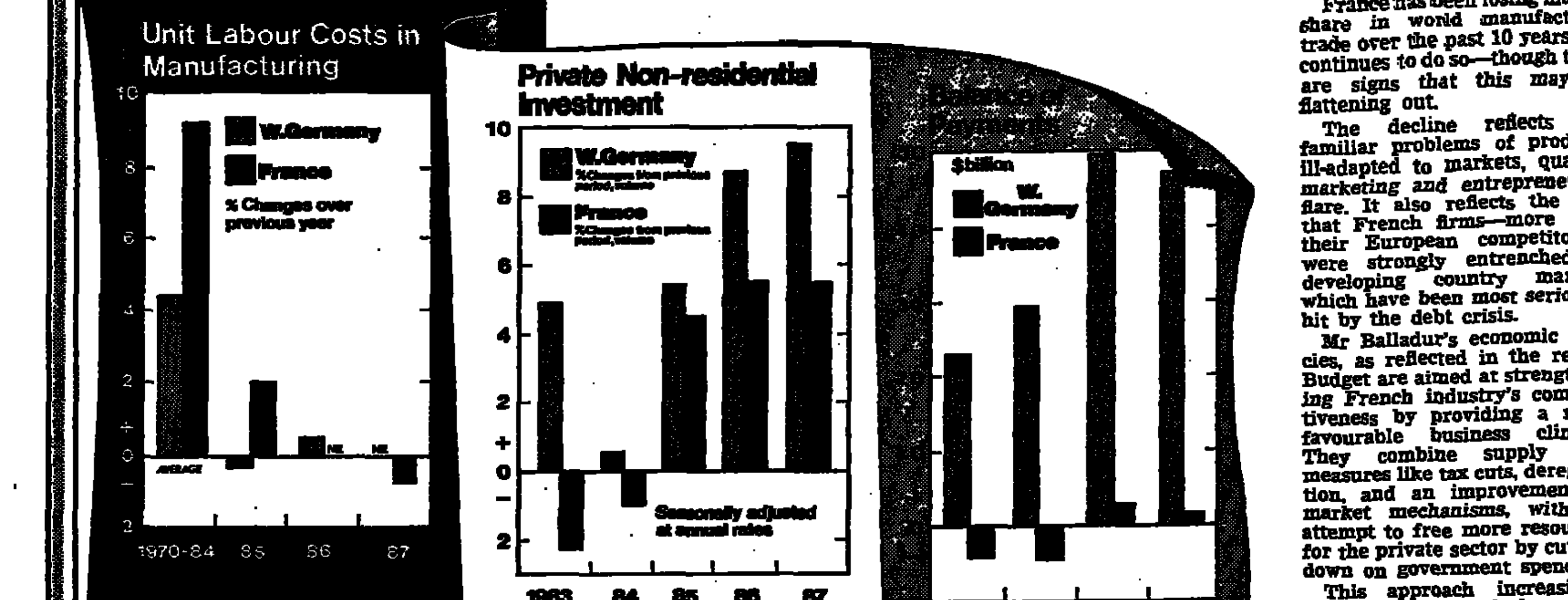
Of the broader signs of a turnaround, the most eye catching is that unit labour costs in French manufacturing industry are now rising less rapidly than in West Germany—thus giving France an important competitive advantage.

According to the OECD, France is the only major industrialised country in which unit labour costs in manufacturing will remain flat this year and fall in 1987.

Unlike Britain, where the recovery in growth has been accompanied by a steep upward climb in wages, France is now into its fourth year of wage restraint.

The Socialists froze wages in 1982, after their ill-timed reflation of the economy, and in the succeeding years halted the automatic indexation of wage increases to rises in the consumer price index which ratcheted up inflation.

Restraint has remained the rule since, partly because of the pressures of unemployment. Employers also argue that there is a widespread acceptance that excessive wage claims risk damaging companies' profitability and hence their power to invest—although this does not explain why the same arguments have not led to wage restraint in Britain.




Notwithstanding a planned one-day strike by public employees over wages next month, there is little sign of the consensus falling apart.

The unions' readiness to peg wage settlements to a falling inflation rate is a key element in maintaining the downward pressure on inflation. Despite the April devaluation of the franc and the easing of price controls, inflation should fall to 2.3 per cent by the end of the year—and possibly lower in 1987. At that level the French are beginning to tell themselves that they have shed some of the inflationary habits that dogged their economy in the 1960s and 1970s.

The good news on salary costs and inflation has meant that French companies' profit ratios—which sagged badly in the late 1970s and early 1980s—are returning to levels comparable to those before the first oil crisis. This has helped fuel the sharp climb in share prices on the Paris Bourse.

A buoyant Stock Exchange has also brought about a phenomenon relatively new in France—a surge of companies seeking to finance themselves through the equity market rather than through bank borrowing. Issues of new shares and *certificats d'investissement* (non-voting stock) by French companies have raised FFr 42.5bn on the Bourse so far this year—three times last year's total of FFr 14.5bn.

Investment is up—but not nearly as high as had been hoped for at this stage in the recovery. Investment in manufacturing industry expanded by an average 8 per cent in real terms over the two years 1984-1985. Much of this was carried out by the nationalised and larger private groups in the engineering, chemical, electronics, metal transformation and food industries. It now seems to be slowing down because the larger French companies judge that demand is slack.

But small and medium-sized businesses show signs of reversing the trend of recent years and stepping up their investment. Investment in the service sector and in housing also is gathering pace — the latter stimulated by recent government measures to promote real estate investment.

All of these factors, coupled with the relaxation of price and exchange controls, the prospect of privatisation and deregulation in the financial markets are bringing a major improvement in the business climate.

Nonetheless these factors have not been strong enough as yet to break through the straitjacket that has long held down the growth of the French economy: because of competitive weaknesses in French industry, each resurgence of internal demand is accompanied by a surge of imports that strains the trade account.

The recovery of the past year has in this sense been depressingly typical. While real GDP expanded by 2.3 per cent in the 12-month period July 1985-June 1986, imports rose by 4.6 per cent and exports stagnated. The trend in the second quarter of this year was even worse, real GDP rose by 1.1 per cent while imports shot up by 7.6 per cent.

Although the trade deficit has shrunk from FFr 93bn in 1982 to FFr 24bn last year — and the cumulative total of FFr 7.2bn on an adjusted basis for the first six months of 1986 suggests a continuing decline—the first half 1986 deficit remains disappointing in view of the expectation that windfall savings from falling oil prices and the dollar over the full year will total FFr 60bn.

But the pressures on the trade account should ease in the second half of the year as the increase in French purchasing power slows down while German incomes rise more rapidly. This will reverse conditions in the first half, when French demand was boosted by the increase in household purchasing power that stemmed from tax cuts initiated by the Socialists (pressures are worst when internal demand in France is rising more sharply than in Germany).

Thus the first half trade deficit should be transformed into a FFr 15-20bn surplus by the end of the year. French exports in the second half will also be helped by the delayed impact of the March devaluation of the franc. And by next year they will also benefit from an expected rise in Airbus sales when the new A-320 comes onto the market.

The sobering overall lesson is that if France is to avoid running into problems on its trade account, it needs to maintain an economic growth rate that is a half a percentage point below that of West Germany. But with West Germany growing at 3 per cent, and an implied French growth rate of 2.5 per cent, France cannot hope to reduce the number of unemployed —now 2.5m or 10.7 per cent of the workforce.

Hence the anguished cry of Mr Philippe Seguin, the Employment Minister, for more budgetary support for job creation measures in the belief that macro-economic action alone may be unable to prevent a rise in the number of jobless to 3.2m by the end of next year.

Despite continuing concern over the trade account, France has been building up a durable surplus on services in the current account. The surplus on service transactions climbed from FFr 24.7bn in 1984 to FFr 38bn last year and is likely to remain at that level in 1986 —due to the levelling off of service payments on the foreign debt and the increase in tourist receipts, although tourism has been badly hit by the terrorist wave in Europe with France expecting 25-30 per cent fewer visitors from the US this year.

But for a nation that needs to import the bulk of its energy requirements, service transactions are scant substitute for a substantial surplus on trade in industrial goods.

France has been losing market share in world manufacturer trade over the past 10 years and continues to do so—though there are signs that this may be flattening out.

The decline reflects the familiar problems of products ill-adapted to markets, quality, marketing and entrepreneurial flare. It also reflects the fact that French firms—more than their European competitors—were strongly entrenched in developing country markets which have been most seriously hit by the debt crisis.

Mr Balladur's economic policies, as reflected in the recent Budget are aimed at strengthening French industry's competitiveness by providing a more favourable business climate. They combine supply side measures like tax cuts, deregulation, and an improvement in market mechanisms, with an attempt to free more resources for the private sector by cutting down on government spending.

This approach increasingly has the support of the major parties in France. Where Mr Balladur comes under attack from the Socialists, and from some of his friends on the right, is for his cuts in spending on aid and research budgets for industry and the lack of specific tax incentives for investment. French industry, nurtured by long years of state support could well suffer from withdrawal symptoms in the early phase.

Mr Balladur's approach is inevitably one that will take time to produce its full effects.

Thus, in spite of much publicised expenditure cuts, the French public sector borrowing requirement — the combined deficits of the state budget, the local authorities and the social security fund—will only return next year to the 1985 level of 2.6 per cent of GDP after rising to 2.8 per cent this year.

Mr Balladur's instincts are that long-term trends take time to reverse. He would be unlikely to risk initiatives that could strain the social consensus on which wage restraint depends. Nobody thus expects him to push for a much hastier rationalisation of the steel, shipyard, automobile or coal sectors.

The Bureau d'Informations et de Prévisions Economiques, the only French forecasting institute which does long range sectoral analyses, assumes that the shift of resources to investment will continue with investment in manufacturing industry rising by an annual 4.8 per cent in the 1985-91 period.

On that basis, it sees France regaining in the years ahead a growth rate close to the 3 per cent it achieved between 1973-1979. There is nothing spectacular in that—but it could provide the building blocks for a higher sustainable rate in the 1990s.

# Men and Matters

## Runners in the IMF stakes

The starting gun had hardly sounded before the front-runner to succeed Jacques de Larosière as managing director of the International Monetary Fund, the Dutch candidate Dr Onno Ruding, was out campaigning for the job.

Just to make absolutely certain that none of the finance ministers and central bankers attending the annual meeting of the IMF and the World Bank this week in Washington missed the point, Dr Ruding's government even went to the trouble of putting out a Press release.

"Dr Ruding available as managing director, IMF, as from January, 1987," said the statement from the Royal Netherlands Embassy in Washington. Clearly Holland is rich in men who could quickly take over as the Dutch finance minister.

Another front-runner is the governor of the Bank of France, Michael Camdessus, who has the strong support of his government but the serious disadvantage of being the same nationality as the man who is retiring.

By tradition, of course, the job of IMF managing director goes to a European, just as the job of World Bank president is essentially an American appointment.

With the IMF remaining deeply involved in the economics and politics of Latin America for the next few years, and in the repercussions of the American budget and trade deficits, James Baker, US Treasury Secretary, will expect his views to be taken firmly into account.

That could work against Dr Ruding who did not endear himself to the Americans a year ago by publicly questioning whether in presenting his "Baker Plan" for third world debtors, Baker had put enough emphasis on the importance of an early capital increase for the World Bank.


"You're not playing rugby against Cardiff police now lad—pull that helmet above your ears"

## Beethoven bids

Companies will soon be able to have their own signature tunes—composed by Beethoven. In an imaginative arts sponsorship the Medici String Quartet is "auctioning off" a selection of Beethoven Quartets after its Elizabeth Hall concert on October 7.

A company, or individual, who "purchases" one of the Quartets will have its name linked with it when it is performed throughout the world by the Medici, which is embarking on that "Everest" of chamber music—the complete Beethoven Quartet Cycle.

It hopes to raise up to £40,000 from the project, and the estimates it quotes range from £1,500 for any of the six variations on Opus 18 to £3,500 for the more demanding Opus 127. The Grosse Fugue can be yours for £2,500.

The Quartet will use the cash to increase its repertoire and has no compunction in pointing out the tax benefits now available for such arts sponsorship.

After all Beethoven was dependent on sponsors in his time, even if some of them, such as the Emperor Concerto, named after Napoleon, proved short stayers on the market.

## After Acorn

Hermann Hauser, aged 37, co-founder of Acorn, the high-flying British computer company that plunged into the red last year, is back in the action with Olivetti after experiencing both stardom and ignominy in quick succession.

After Acorn had grown to annual sales of £100m within six years of its start-up in 1978 the Cambridge-based enterprise had to be rescued twice by Olivetti, the Italian electronics giant, which now owns 80 per cent of the company.

Hauser, Austrian-born, saw the value of his Acorn shares slump to a small fraction of the £50m they were once worth, and was removed from the chair.

Now, however, he is an Olivetti vice-president, in charge of research, and is formulating a new strategy for the group involving a string of new laboratories.

One in Cambridge is to be followed by two in the US.

## Chinese pensions

The Queen's October visit to China is seen by the Chinese government as providing a suitable moment to signal its wish to do more trade with the west, and, in particular, with Europe.

An old China Hand Sir Peter Blaker, aged 63, Conservative Member of Parliament for Blackpool South, and a former minister of state at the Foreign Office, is to head a new joint trading company which will be half-owned by the Chinese.

Blaker has been appointed sidiary of World Trading and Shipping (UK), a British subsidiary of World Trading and Shipping of New York.

WTS has 50 per cent of the newly-formed Good Earth Corporation, set up to raise foreign currency for China by developing projects and trading deals.

The interesting aspect of Good Earth is that inside China it will be financed and manned by the Chinese themselves. The Chinese 50 per cent in the company is being shared equally between the state-owned China international centre for technical and economic exchange (the commercial arm of the Chinese foreign economic relations ministry), and a company headed by Deng Pu Fang, eldest son of the Chinese leader Deng Xiao Ping.

Called Kang Hua, that company is a commercially-oriented "pension fund" for 4m Chinese army veterans.

"Our Good Earth network spreads throughout China and will be an ideal means of researching and implementing potentially successful commercial arrangements," says Blaker.

## Fund raisers

Delegates to the Labour Party conference in Blackpool who managed to tear themselves away from the mayoral address of welcome last night were surprised at what they found when they wandered round the display of exhibition stands spread around the town's Winter Gardens.

It is a much larger exhibition than in previous years, in keeping with the party's renewed emphasis on presentation. However, some of the stands do not fit in easily with the party's firm rejection of nuclear power which, it can be confidently predicted, will take place on Wednesday.

Two stalls are promoting British Nuclear Fuels and Nirex, the nuclear waste disposal agency.

Labour Party officials are sufficiently nervous about their presence to have sent an explanatory note to delegates pointing out the cash advantages to the financially-strapped party of having outside organisations take space in the exhibition—whatever the message they bring.

**Observer**

## FOREIGN AFFAIRS: DEFENCE SPENDING AND BRITAIN'S ECONOMY

# Tonic that failed to give a lift

By Ian Davidson

BRITAIN spends a higher proportion of its GNP on defence than any of its Nato allies apart from the US and Greece. Is this good for the British economy or bad?

The question is highly controversial. Some analysts have claimed that defence spending has been, at least in some countries and in some circumstances, a powerful motor of technological development. Others have argued that it must be, by definition, non-productive, with a perverse effect on economic growth. They point to the opposite examples of Britain, with high defence spending and low growth, and Japan, with low defence spending and high growth, and claim that the British economy has been dragged down by the burden of its excessive imperial and post-imperial ambitions. Yet if one considers some other countries, France for example, it is clear that there is no single-factor matrix in which there is an *automatic* trade-off between defence spending and economic growth.

Nevertheless, several studies in recent years have strongly suggested that Britain's defence spending does have perverse economic effects. Three years ago the Maddock report on the electronics industry concluded that companies deeply involved in defence work were largely lacking in entrepreneurial skills, and that their chance of making a major contribution in the civil areas (apart from aerospace) was "vanishingly small."

Last year, the Levitt report found a perverse correlation between defence procurement and productivity: in the electronics components sector, which is very little dependent on military sales, productivity was rising fast, whereas in the radio, radar and electronics capital goods sector (which is heavily dependent on military sales) productivity growth was negative. It also found that the inflation rate for defence procurement was significantly higher than the national rate of inflation, even for dual-purpose products like oil and non-military vehicles.

These findings are recalled and elaborated on in a study by three fellows of the Science Policy Research Unit at Sussex University, which is published today in the Lloyds Bank Review. They argue that Britain's industrial competitiveness is damaged both by the scale of the defence procurement programme and by the large share of Britain's research and development which is accounted for by the Ministry of Defence.

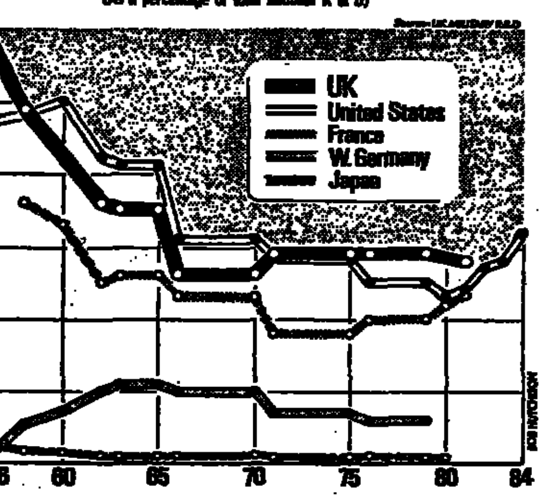
"Our conclusion is that if Britain is to break the vicious circle of decline, an important precondition must be a reduction in the relative size of the defence sector and level of military R and D . . . Britain has got to re-orientate her technological effort away from the defence sector and towards the civilian markets. However unpalatable politically, this task will not be achieved without a relative shift of resources out of the military sectors—in other words substantial and lasting cuts in expenditure on defence equipment and R and D."

Some of the numbers presented in the article are rather impressive. The Conservatives have boasted often enough that the increase in the defence budget since they came to power has gone almost exclusively into extra purchases of equipment; but the corollary of this is that British industry has become more dependent on selling equipment to the Ministry of Defence. Over the decade 1974-84 the share of manufacturing going into defence sales rose from 6.3 per cent to 12.3 per cent. This trend has been most strongly felt in aerospace and electronics, since they account for about 50 per cent of all defence procurement.

More spectacular still are the figures which compare research and development spending, and the share of it which is devoted to defence, in Britain and four other major western countries. They show that Britain spends a significantly smaller proportion of its (smaller) GDP on total R & D than West Germany or Japan, and that a much higher share of what is spent goes to defence research.

The article goes on to argue that this high share of defence research harms the civilian economy by attracting too many of what is, at any one time, a finite pool of qualified scientists and engineers (QSEs). It claims that an analysis of GEC's 1986 graduate recruitment brochure shows that the ratio of QSEs to total employees was 32 per cent at the company's primarily military sites, 14 per cent at primarily civilian sites, and only 2 per cent at sites producing consumer goods.

**UK Commitment to military R & D**
(As a percentage of total national R & D)




**Gross Expenditure on Research & Development (GERD)**
as a percentage of GDP and the Proportion Devoted to Defence

| | 1964 | | 1972 | | 1978 | | 1985 | |
|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B |
| UK | 2.32 | (33.2) | 2.13 | (26.2) | 2.20 | (28.2) | 2.26 | (29.2) |
| US | 3.14 | (35.4) | 2.58 | (29.4) | 2.37 | (25.3) | 2.70 | (28.1) |
| France | 1.84 | (23.4) | 1.86 | (20.7) | 1.77 | (19.8) | 2.14 | (21.5) |
| W Germany | 1.41 | (11.3) | 2.20 | (5.4) | 2.24 | (5.8) | 2.58 | (4.3) |
| Japan | 1.47 | (0.5) | 1.83 | (0.5) | 1.93 | (0.4) | 2.47 | (0.3) |

A—GERD/GDP B—Defence R&D/GERD

I am not sure that the Sussex study proves its case. The authors admit that much of their evidence is necessarily anecdotal, that the whole area is under-researched, and that propositions about the impact of defence spending on the civilian economy may be, to some extent, untestable. But there can be little doubt that some of the facts to which they draw attention are worrying.

Moreover, they are not alone in their anxieties. Another recent report, from the Council for Science and Society, endorses the argument that Britain is spending more than it can afford on military R & D and should probably retrench, and casts doubt on claims that there is beneficial spin-off for civilian industry.

It points out that the electronics industry is the most R & D-intensive of all British industrial sectors, but that over half of the R & D is funded by the government (overwhelmingly the Defence Ministry). "Looked at another way, UK private industry now spends less of its own money on electronics R & D than French industry or any other of its major competitors. British firms have failed to become leaders in most fields of semiconductors or other electronic developments over the past 30 years, with the major exceptions of military electronics and areas within electronic computers and electronic instruments."

Finally, it points out that much military R & D is inherently unsuitable for civilian application. "Most military R & D leads to *product* innovation. Much of the innovation on which civilian industry depends is, however, in improvement in the manufacturing *process*, not in new product development. It is through process innovation that companies compete over price and quality . . ."

Unfortunately, however, there would be no guarantee that any resources withdrawn from military R & D would automatically or quickly be converted into resources for civilian R & D. Everything, according to Henry Ergas of the OECD, depends on whether the general environment favours the diffusion and adoption of new technologies, and in particular on whether national education and training systems are up to scratch.

In a forthcoming study called Does Technology Policy Matter? he examines three groups of countries:

1—Mission-oriented countries, which are primarily concerned with major projects of national significance, often with an emphasis on national defence. The US, the UK and France.

2—Diffusion-oriented countries, which are largely concerned to upgrade the capacity of firms to respond to new technologies. Germany, Switzerland and Sweden.

3—Japan, whose technology policy includes both mission- and diffusion-oriented components.

In the first category, Mr Ergas judges that France is the most successful in implementing mission-oriented projects, while the UK is the least successful; the US is somewhere in between. "However, in both France and the UK, the results of mission-oriented research do not diffuse out of the firms and industries most closely linked to public procurement. As a result, national industrial structures are polarised between a small number of high technology firms, mainly oriented to sales in government markets, and the bulk of industry which draws little benefit from public assistance to innovation."

The US avoids this polarisation through the extreme mobility of both labour and capital, which encourages effective diffusion of new technology.

The second category of countries puts less emphasis on cutting-edge technology, and more on the widespread dissemination of technology, through education and training, industrial standardisation, and co-operative research. The drawback is a conservative bias, in favour of existing industries, and in favour of incremental rather than radical innovation, which makes companies vulnerable to more radical competitors: the German machine tool and Swiss watch industries were examples. But the depth and breadth of technical skills gives resilience for readjustment.

Mr Ergas does not argue that Britain spends too much on military R&D—just that Britain manages its R&D badly. "The UK's major difficulties arise from the pervasive lack of incentives in its system of mission-oriented R&D . . . The propensity of British agencies to form 'clubs' with their suppliers — within which each supplier is treated on the basis of administrative equity rather than commercial efficiency — weakens whatever incentives suppliers may have to seek an early lead, while also ensuring that the resources available are so thinly spread as to be ineffectual. Finally, the reluctance to build penalty clauses into development contracts, and to terminate unsuccessful projects . . . aggravates an inherent tendency to cost over-runs."

When he wrote these words, Mr Ergas could not have known that the MoD's solution to cost over-runs in the military torpedo programme would be to persuade three or four *extra* British companies to compete for a business with virtually no export market prospects and no civilian application. Mr Ergas could not have predicted that the MoD would, in the name of competition, go absolutely barmy.

But his overall verdict is appropriately severe. "In the United Kingdom, mission-oriented research has tended to yield few direct benefits while possibly crowding out a substantial share of commercial R&D. The indirect spin-offs have been low, creating a "sheltered workshop" type of economy: a small number of more or less directly subsidised high technology firms, heavily dependent on and oriented to public procurement; and a traditional sector which draws little benefit from the high overall level of expenditures on R & D."

*Industrial Competitiveness and Britain's Defence Commitments; Mary Kaldor, Margaret Sharp and William Walker; Lloyds Bank Review.*

*Civil Exploitation of Defence Technology, Sir Ieuan Maddock; NEDC Electronics.*

*The Economics of Defence Spending; M. S. Levitt; NIESR.*

*UK Military R&D; Council for Science and Society; OUP.*

*Does Technology Policy Matter?, by Henry Ergas; Centre for European Policy Studies.*

## Lombard

# Tax breaks for venture capital

By Alice Rawsthorn

IN THE recent flow of share issues under the British Government's Business Expansion Scheme a company called Dix Belgravia is attempting to raise capital to set up in business as a building contractor and property developer.

There is nothing unusual about Dix Belgravia as a BES issue except that it is rather large, asking investors for £5m rather than the usual £1m or £2m; and that property developers were, in theory, excluded from the scheme by the last Budget. But the provisions of the Finance Act are far from draconian and Dix Belgravia has structured its business so that, like many other property companies, it complies with the rules of the scheme.

Also like many other BES issues, Dix Belgravia is seeking capital not to establish a "new" company but a joint venture between two established businesses—in this case between Dix Building Services and Pringle Jones and Partners, a chartered surveyor. Of the five executive directors on the Dix Belgravia board only one, the chairman, is not employed by Dix or PJP.

There is no reason to suppose that Dix Belgravia will not be a viable business. The property market is booming. It is difficult to see just how the company will benefit from that boom given that there are no financial projections in its prospectus, but that is not unusual for BES issues either.

In fact Dix Belgravia is a fairly typical BES issue. It may even make money for its shareholders and a great deal of money for its directors, whose A shares automatically rise in value if it achieves modest levels of compound growth.

Indeed, it is the typicality of Dix Belgravia that is so dispiriting. It may comply with the rules of the BES but, like many other companies financed by the scheme, it is not the sort of venture for which the BES was intended.

The Government introduced the scheme in 1983 as a means of providing launch capital for young companies, thereby creating new jobs and boosting high technology, by offering generous tax advantages to individuals as a quid pro quo for investment in venture capital.

For individuals, especially for affluent individuals in higher tax brackets, the rationale behind BES investment is simple. Given that the investor is entitled to full tax relief, their holding in the company is subsidised by the tax payer by as much as 60 per cent. Thus if the company is successful the gains are greater and if it fails the losses are lighter.

The rationale for companies is equally straightforward. The scheme offers a simple, relatively inexpensive way of raising capital. This is why companies such as Dix and PJP turn to it to fund their joint ventures rather than to the more conventional but possibly more costly and complex methods of finding finance.

Some BES-funded companies fulfil the Government's objectives by using the scheme to set up new businesses which do create new jobs and foster technological development. Others, like Dix Belgravia, arguably do not. Yet the taxpayer subsidises these companies to the same degree as the "bona fide" candidates for BES finance.

The scheme plays an important part in the Government's "enterprise" programme. The Government is committed to the concept of devolving responsibility for job creation and economic regeneration from the public to the private sector and the BES is one of the more important measures introduced to help young companies to raise capital.

In successive budgets the Government has tried to steer the scheme back towards its original job creating, technology boosting ethos, just as it has tried to weed out the unscrupulous sponsors and directors who have profited from it.

Almost all these efforts have been in vain. Perhaps the time has come for the Government to conclude that tinkering with the structure of the scheme is futile, that the BES is not, nor ever will be, the most effective way of helping young businesses and to find a more equitable alternative.

## Letters to the Editor

### Aerospace partners

*From the director, European Public Relations, McDonnell Douglas.*

Sir,—I must take issue with Mr Darke's comments (September 19) on your editorial (September 12) about Airbus and the possibility of collaboration with McDonnell Douglas. In arguing the case for the independence of European industry—and particularly Airbus—he claimed that "partnerships between enterprises in both continents generally result in the Europeans being junior partners, picking up whatever remains after the Americans have captured the major high-tech, skilled and design part of the operation." This is simply not the case as far as McDonnell Douglas and European industry is concerned, nor I suspect for many other arrangements between American and European firms.

We have for many years been promoting the concept of international partnerships in aerospace—civil, military and space. We have put that concept into practice in respect of major projects.

The advanced version of the Harrier was promoted to the US Marine Corps by McDonnell Douglas. Now, the AV-8B and the Harrier GR Mark-5 for the Royal Air Force—a projected total of approximately 395 aircraft—are collaborative projects shared virtually equally between American and British industry with British Aerospace taking the project leadership for UK versions and McDonnell Douglas for US requirements. Rolls Royce is supplying the engines for both versions of the aircraft.

More recently, the US Navy has chosen the BAe Hawk as the basis of its new pilot training system. The Hawk was marketed in the US in partnership with McDonnell Douglas which will carry out some design work and manufacturing. BAe has sold the Hawk in an important new market and is sharing the work with a US company. Once again, partnership has worked to the satisfaction of both parties.

Two other examples: British companies have, to date, carried out more than £500m-worth ($754m) of work on the McDonnell Douglas Harpoon missile system bought by the UK. McDonnell Douglas is happy with the arrangement and so are the British companies sharing in this high-tech work.

Spanish companies are producing a wide range of high-tech products as a result of an agreement to purchase F-18 fighters. These products include carbon-fibre panels for all F-18 aircraft, including those built for the US.

It is right that there should be vigorous debate about the record of partnerships between European and American industry. The debate would, however, be more productive if it was based on the record rather than emotive judgments.

Geoffrey Norris,
*Albermarle House,*
*1, Albermarle St, W1.*

### A tax reform nobody needs

*From Mr and Mrs M. G. Chase*

Sir,—With respect, Michael Prowse (September 22) is talking nonsense.

As a married couple with only one income, we stand to benefit from the introduction of transferable tax allowances and were looking forward to that. Now it begins to look as if the opposing lobby is trying to argue it into the ground.

The current married man's allowance takes account of the fact that two people living together live more cheaply than two living apart, yet more expensively than a single person.

If it is essential, for whatever reason, to abolish the married man's allowance, let there at least be a substantial compensating increase in child benefit. But this would still be unfair on married couples with only one earner whose children have left home.

We prefer Nigel Lawson's solution.

M. G. Chase,
*7 Chalfont Drive,*
*Farnborough, Hants.*

### Time to make views known

*From Mr C. Cortes*

Sir,—I have been trying to respond (and to encourage others to respond) to the Government's proposals for personal tax reform.

I am entirely in agreement with Michael Prowse's arguments as to (i) the need to move to individual allowances to rid the tax system of sex discrimination and (ii) the disadvantages of transferable allowances. But I must vehemently disagree with his concluding hope that the green paper should "drown in a sea of apathy."

If his wish were fulfilled, it would not only be transferable allowances that would go under, but also the vitally necessary and long overdue reform to make the tax system fair and non-discriminatory for all, regardless of sex or marital status. It is essential to impress upon the Government that it must introduce this change even if further proposals for transferability get the big yawn.

May I suggest that a more constructive conclusion would be to urge all those who wish to see independent (non-transferable) individual tax allowances to drop a line saying so to: Inland Revenue policy division, Room 47 New Wing, Somerset House, Strand, London, WC2R 1LB. Unfortunately, its deadline for comments is tomorrow.

C. Cortes,
*North Beeches,*
*Bluehouse Lane,*
*Limpsfield, Surrey.*

### Wrong about Brazil—and Kafka

*From Dr S. Griffith-Jones*

Sir,—John Redwood's article "The case for more Thatcherism" (September 17) says that poverty and social contrast characterise Brazil, "Latin America's largest socialist state."

Brazil is not, and none of its governments have pretended it to be, a socialist country. Quite the contrary. Between 1964 and 1984 the country was ruled by the military who assumed power on the excuse of "stopping the threat of Communism."

Brazil's economy is a mixed one, with both state and private capital playing an important role, and in this respect has many similarities with South Korea. It also shares with Korea a good record for growth in the past two decades; its record on income distribution is not very satisfactory, though this may change with the new democratic government. In the past two years, Brazil has been growing very fast, indeed, perhaps faster than any other economy in the world. Its volume of automobile production has already surpassed that of the UK.

It seems serious that such a distinguished figure as Mr Redwood should be so ill-informed about the largest Latin American country, and should rely, instead, on ideological assumptions.

Incidentally, as I am related to Kafka, I take a certain interest in his work. He was certainly no advocate of the free-market or an enemy of socialism as Mr Redwood seems to interpret; his work seems to reflect a fear of large bureaucratic institutions, whether public or private, and repressive governments, whether socialist or capitalist.

Though one can differ on interpretations of literature, I do not believe one can differ on facts. It seems that Mr Redwood's information on Brazil is simply incorrect.

(Dr) Stephany Griffith-Jones,
*12 Lenham Rd East,*
*Brighton, Sussex.*

### The realities of nuclear life

*From the vice-chairman, East Midlands Liberal Party*

Sir,—Your editorial (September 24) following the Liberal Party conference defence debate on the previous day will have been read with interest by many. Its conclusions, however, are by no means inevitable nor, in the eyes of many intelligent voters, correct.

After Chernobyl, and with nuclear waste dumping as a current national issue laid alongside the agonising over nuclear arms reduction on the international stage, a lot of people in Britain are thinking uncomfortably about nuclear matters. Their conclusions will be many and various but none of them will be easy ones.

The puerile dismissal by the Labour Party of the facts of nuclear life contrasts with the bovine submissiveness of the Tories to the inevitable slavery which they believe we must endure under the nuclear economy rule.

We have a Liberal leader who is prepared to recognise the realities of nuclear life faced with a democratic Liberal Party which through its 1986 conference representatives has expressed in an extremely close vote its detestation of the nuclear cage. Both leader and conference recognise the realities, but at least have the courage to see that while adequate defence must be secured there are preferable objectives for them which may be achieved by negotiation.

The British people will be able to see with clarity a party which understands the dangers and wishes to take us to a new position, but whose leadership, which will continue to be supported by the party and its voters, knows how pragmatic and clear-headed it must be to achieve, at one and the same time adequate levels of national defence and the long-term defence and energy requirements of the nation but with increased prospects of survival for our children.

Tony Wilkinson,
*Idle Mount,*
*Rectory Walk,*
*Gonalston,*
*Retford, Notts.*

FINANCIAL TIMES

Monday September 29 1986



Roderick Oram on Wall Street

# Facing up to fickle currencies

IN A routine followed by dozens of dealers nightly except Saturdays, the senior vice president (foreign exchange) of a US-based international bank takes time out from family life in the New York suburbs to check forex markets in the Far East using his hand-held computer.

He received a nasty shock on Sunday a week ago: all indications on the previous Friday evening when he left Wall Street had pointed to the dollar falling further. But instead his computer tracked a rocket-like ascent.

Forex markets on the other side of the world had interpreted as bullish for the dollar the vague statements by European Finance Ministers and central bank governors, flying home from their Gleneagles, Scotland meeting about defending parities in the European Monetary System and the need for dollar stability.

Seeing the extreme volatility created by the markets' abrupt change in perception, the dealer knew many of his corporate customers would be anxious to trade regardless of the hour. Also, he could not resist trying to make some money out of the gyrations.

He arrived in his office at 8 pm on Sunday and stayed through to 11 pm on Monday with some hair-raising moments in between. At one stage in the early hours he got up to stretch his legs, the dollar fell 2 pfg as he walked around the desk.

Having begun with a bang, the week ended with a whimper. Forex dealers hunkered down in their trenches last Friday as officials of the Group of Five industrialised countries met in Washington to discuss global economic policies.

No sensible forex dealer was in the mood to take a position, remembering the G-5 meeting a year earlier in New York. That week had begun with the group's Plaza agreement and a free-falling dollar and ended with Hurricane Gloria.

One year on forex dealers were in another storm, but this time becalmed in the eye. Behind lay the Baker-Poehl war of words and Gleneagles; in front, the total unknown of the closed-door week-end meetings in Washington.

In the absence even of rumours, the midnight trader, glad perhaps of a respite after the punishing start to his week, joked about famous rumours of the past. One dealer during the Falklands war misunderstood a message about a telecommunications hitch. When "carrier lost" flashed on his screen he sold sterling like crazy. Impressed by the frenzied activity, his boss asked him his position. "Terrific. I've shorted 25 million..."

Other signs also showed Friday was untypical of a New York market in which some 130 institutions turn over $60bn a day. Just off the midnight trader's dealing room, a back office IBM PC was running a chess game. At least for once the shoe-shine boy could perform his at-desk service ($1.50 a pair plus tip) without fear of being kicked by a hyper-tense trader.

If forced to make a guess, the traders would have expected little out of Washington on the magnitude of the Plaza agreement. But they were putting no money on the line while political statements were counting more than economic fundamentals.

Moreover, many said they had learned greater respect for central bank intervention during the past two or three years, particularly in the aftermath of the Plaza agreement. In nine weeks after the New York G-5 meeting, leading central banks spent about $8.5bn to help drive down the dollar.

Although the central banks were clearly "kicking on an open door," the intervention showed a newly developed co-ordination.

In marked contrast were the attempts of US authorities to turn the tide of the weak dollar during the Carter Administration. The Federal Reserve Bank of New York, Washington's instrument of intervention, spent vast sums with little discernible effect.

The Fed demonstrated the key point about intervention: central banks cannot reverse a currency's trend for any length of time because their war chests are no match for the enormous flows of money in the markets. Thus, intervention is more to do with psychology through which central banks try to deliver a message.

Varying intervention styles leave New York foreign exchange dealers with strong feelings about each of the central banks. Opinions on Friday included:

The Fed – "Totally ineffectual... hamstring because they take (intervention) orders from the Treasury." Bank of Japan – "Brutal... we're exhausted after they've intervened." West German Bundesbank – "Very aggressive... if they have a message they give it." Bank of England – "My favourite central bank... very subtle... forceful, but not brutal."

**James Buxton in Edinburgh** examines effects of the oil price slump

# Gloom sweeps Scottish industry

A WAVE of pessimism has been sweeping Scotland about its industry in general and its oil industry in particular. The calling in last Friday of receivers at the Howard Doris offshore fabrication yard at Kishorn on the north-west coast will do nothing to abate the mood.

The oil industry is reckoned to have directly employed about 90,000 people in Scotland at its peak a year or so ago – about 5 per cent of the employed labour force.

Economists believe about 7,000 jobs have been lost in the past year, and the Royal Bank of Scotland estimates that a further 11,000 may go over the next three years. But people associated with the industry are pleading anxiously that a downturn in employment and in offshore activity is not, as some media reporting appears to suggest, synonymous with the disappearance of the industry altogether.

The dramatic slump in oil prices since late last year has taken the price of crude down to about $15 a barrel but has not affected oil production in the North Sea, running at about 2.6m barrels a day. This appears to confirm hope that 1986 could prove the peak year for oil production.

But drastically reduced cash flows and the uncertainty about future price trends have forced the oil operators to curtail new exploration work and to delay or reconsider plans to develop existing oil and gas fields.

On a macro-economic level, the whole of the British oil industry is having to digest the fact that, whereas in 1985 total orders for equipment placed for the UK North Sea amounted to £3.4bn ($4.8bn), the figure for this year is estimated to be about £2.3bn, a drop of about 30 per cent.

The micro-economic effects are most obvious in Scotland, since the bulk of North Sea activity is off the Scottish coast. Probably the most stark indicator lies in the 18-odd drilling rigs lying idle in the Firth of Forth, off Aberdeen, and in the Cromarty Firth. In the northern North Sea 13 mobile drilling rigs are thought to be at work, against 28 a year ago.

On land there was a sudden collapse of self-confidence earlier this year in Aberdeen, the principal centre for offshore activity, when the implications of the slump in the oil price came home. Property values collapsed, restaurants suddenly found they had empty tables and the once easy pickings for taxi drivers vanished as Aberdonians realised that the years of steadily rising prosperity were over.

Since then, however, nerves have steadied with the realisation that between 50 and 60 per cent of oil-related activity in Aberdeen is connected with production, as opposed to exploration and development. In the North Sea as a whole production last year accounted for 34 per cent of all activity.

Oil companies are trying to cut the fat out of their operations both onshore and offshore. US companies have sent some of their most expensive people home. Britoil, the UK independent, finally confronted the fact that it was heavily overmanned and earlier this month made 750 people redundant, 600 of them in Glasgow and 150 in Aberdeen. The loss of this contingent of highly paid people from the fragile economy of western Scotland will be painful.

But the most serious medium-term effects of the decline in North Sea activity are likely to be in oil-related manufacturing rather than in services. The Howard Doris yard at Kishorn in Western Ross is one of the four yards capable of building the vast jackets or legs of oil production platforms.

Even as the yards were established in the 1970s it was being argued that there was one too many and the Howard Doris facility was in trouble at a relatively early stage when the fashion in North Sea construction switched from a temporary flirtation with the concrete structures the Kishorn yard was designed to erect back to the use of steel.

Though Howard Doris successfully made the transformation – cutting employment to barely a third of the approximate 3,000 people it had on its books in its heyday – the outlook for the yard was already sombre when a financial crisis at Howard Doris's majority shareholder, the John Howard group, made the situation unsustainable.

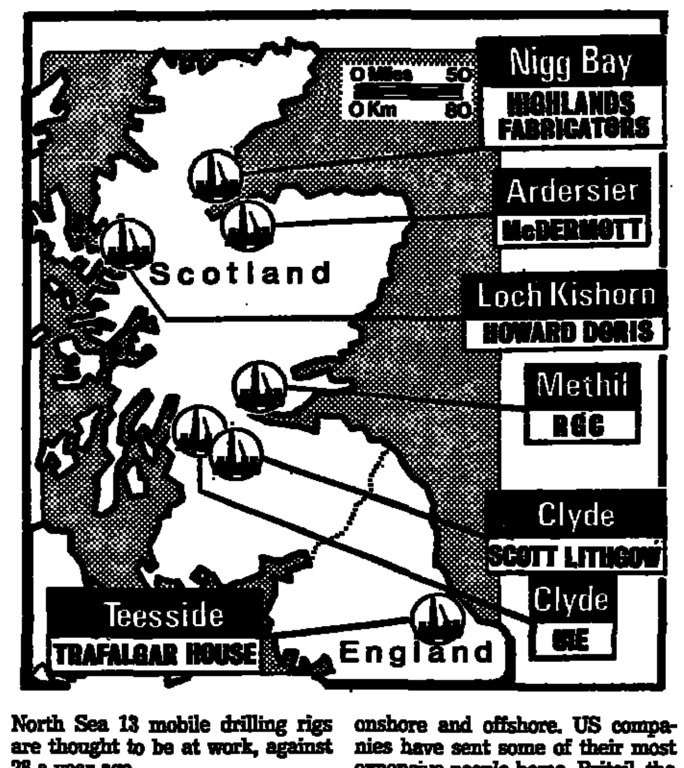
Howard Doris has virtually no work in prospect after the completion of two modules for the French oil company Total, due around the end of the year. Mr Albert Granville, the managing director of Howard Doris, whose optimism had always previously been unshakeable, said a few days before the receivers moved in that the moth balling of the yard early next year was almost unavoidable.

That would be bad for the 600 people still employed at Howard Doris – most of whom come from other parts of Scotland and northern Britain – but devastating for the whole impecunious area of Wester Ross, which has no single source of spending to match Howard Doris.

On the east coast the Ardersier yard on the Moray Firth owned by the US company McDermott faces an uncertain future when later this year it completes a jacket for Marathon's Brae B field. The yard employs about 1,000 people. McDermott had hoped to win the £46m order placed in June by Shell and Esso for the jacket for Shell's Eider field, north-east of Shetland.

But the order, reckoned to be the last big fabrication order likely to be placed for many months, went instead to Highland Fabricators.

The fourth major fabrication yard, the RGC facility at Methil in Fife, which belongs to Trafalgar House, has a healthy outlook with orders for Shell's Tern field platform and associated structures.




# Hopes fade over Mexico's ability to meet $6bn loan deadline

BY PETER MONTAGNON IN WASHINGTON

HOPES were fading here last night that Mexico and its commercial bank creditors could meet today's deadline imposed by the International Monetary Fund for reaching agreement on a fresh $6bn loan package.

With the two sides locked in talks aimed at breaking the deadlock here, pressure mounted from Western governments anxious to see an agreement ahead of the formal opening of the IMF's annual meeting tomorrow.

"I certainly hope the deadline will be met. If it is not, we've got problems," said Mr Paul Volcker, chairman of the US Federal Reserve Board.

Mr Gustavo Petricioli, Mexican Finance Minister, said: "We are closer than we were a week ago. We will have an announcement. I don't know what it's going to be."

Bankers said a major difference remained between the two sides on the question of interest rates for the new loan. The banks are holding out for a margin of ⅞ per cent over London Eurocurrency deposit rates, while Mexico is prepared to pay only ¾ per cent.

Western officials said both sides would have much to lose if the deadline was not met. "It's an issue between the US banks and the collective leadership of the international monetary system," said one senior official.

Failure to meet today's deadline would go deeper than a mere public relations setback for the so-called Baker Plan on easing the debt of developing countries launched by the US at last year's IMF meeting in Seoul.

One fear is that the entire debt rescue package for Mexico worked out by the IMF in July would lapse. At the least Mexico would be unable to draw further for the time being on the $1.6bn bridging loan provided by creditor governments and commercial banks.

However, commercial bankers said the interest margin sought by Mexico was too low given the 17-year maturity now under discussion for the new loan package. One participant in the negotiation described it as "concessionary" rather than "bankable." He said it would lead to an unhealthy precedent.

In recent days the talks between the two sides became more tense as Mexico sought to exploit the pressure created by today's looming deadline. Mexico is understood to have warned again that it might have to withhold interest payments to foreign creditors if an agreement could not be reached.

With other parts of the rescue package, including a $1.8bn Paris Club rescheduling agreement from creditor governments now in place, bankers worry that they are becoming isolated. "We have been painted into a corner," said one.

IMF meeting, Page 4

# Reagan tax plan clears its final hurdle

By Nancy Dunne in Washington

PRESIDENT RONALD REAGAN will this week sign legislation for the biggest post-war overhaul in the US tax system following overwhelming approval for the measures in the Senate on Saturday.

The legislation, passed two days after the House of Representatives gave its approval, will make far-reaching changes in investment and spending by individuals and companies.

President Reagan has pushed the measure as a "second American revolution" in response to public outrage over the loopholes available to the wealthy and corporations. On Saturday he hailed the measure as one the American people "can be proud of, one that is fairer, simpler for most people, one that encourages growth and that is pro-family."

His satisfaction was not universal. Polls have shown the American public to be ambivalent about the measure and unsure about its effects. Some economists worry that it may nudge the sluggish American economy into a recession.

Senator John Danforth, a Missouri Republican, warned that the bill would make American industry less competitive, worsen the nation's trade deficit, harm universities and limit charitable donations.

The massive restructuring of the tax code will replace the 14 current tax brackets with two – at 15 per cent and 28 per cent – taking effect in 1988. The top tax rate for individuals has been slashed from 50 per cent to 38.5 per cent from next year to a hidden top rate of 33 per cent in 1988.

The top corporate rate will be cut from 46 per cent to 34 per cent, but business will ultimately lose many of its deductions and shelters at an estimated cost of $120bn over the next five years.

About 80 per cent of the taxpayers will be taxed at the 15 per cent rate, and 6m low-income Americans are expected to come off the tax rolls altogether. Wealthy Americans who have not used income shelters to avoid taxes will be the biggest beneficiaries. Most taxpayers will receive small reductions, and some middle-class taxpayers will have to pay more.

In order to raise revenue, the bill ends capital gains preferences, and deductions for sales taxes, phases out deductions given for interest payments and imposes a new minimum tax on businesses and the wealthy.

Reagan faces sanctions clash, Page 3

# Peking and De Beers in diamond link

Continued from Page 1

istered in Panama but shares a registered London office with Chichester Diamond Services, a diamond broker of almost the same name with which it has no other direct connection. The offices in Charterhouse Street are a few yards away from CSO headquarters.

Mining companies are traditionally secretive about prospecting for fear of alerting competitors. But the over-riding consideration in ths case was the need to avoid embarrassing the Chinese Government.

# Nuclear power policy boost for UK opposition

Continued from Page 1

Mr Blunkett said it was dishonest to say Labour would only tax the top earners since in order to sustain the drive for socialism there would have to be a return to a higher basic rate of income tax. He said people would respect Labour for this approach.

Mr Hattersley said that Mr Blunkett's comments were not Labour Party policy nor in the National Executive document which he supported. "He is not going to be Chancellor. I am."

Before these exchanges the initial harmony had been such that some Labour leaders were wondering what might go wrong. The signs are that major reappraisals of policy on trade union law, public ownership and social security will be overwhelmingly endorsed.

The main behind-the-scenes manoeuvrings yesterday concerned civil nuclear power and reconciling the demands of the miners and the hard left for an immediate start to the end of nuclear power with the worries of unions with large numbers of members in the industry.

# World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | F | 24 | 75 | Dubrovnik | F | 22 | 72 | Malta | – | – | – | Rhodes | S | 26 | 79 |
| Algiers | S | 25 | 77 | Edinburgh | R | 17 | 63 | Manchester | C | 17 | 63 | Rio de J'o | C | 22 | 72 |
| Amsterdam | S | 17 | 63 | Faro | S | 25 | 77 | Manila | S | 33 | 91 | Rome | R | 20 | 68 |
| Athens | S | 28 | 82 | Florence | S | 21 | 70 | Melbourne | S | 13 | 55 | Salzburg | S | 18 | 64 |
| Bahrain | S | 38 | 100 | Frankfurt | S | 19 | 66 | Mexico City | – | – | – | San Francisco | S | 11 | 52 |
| Bangkok | S | 33 | 91 | Funchal | C | 23 | 73 | Miami | F | 25 | 77 | Seoul | F | 23 | 73 |
| Barcelona | S | 22 | 72 | Geneva | S | 17 | 63 | Milan | F | 17 | 63 | Singapore | F | 29 | 84 |
| Beirut | S | 30 | 86 | Gibraltar | S | 24 | 75 | Montreal | C | 8 | 46 | Stockholm | R | 7 | 45 |
| Belfast | C | 16 | 61 | Glasgow | D | 16 | 61 | Moscow | C | 2 | 36 | Strasbourg | S | 18 | 64 |
| Belgrade | C | 13 | 55 | Guernsey | Fg | 14 | 57 | Munich | S | 17 | 63 | Sydney | C | 18 | 64 |
| Berlin | S | 15 | 59 | Helsinki | F | 7 | 45 | Nairobi | S | 27 | 81 | Taipei | S | 29 | 84 |
| Biarritz | F | 18 | 64 | H. Kong | C | 28 | 82 | Naples | R | 17 | 63 | Tangier | – | – | – |
| Bombay | F | 31 | 88 | Innsbruck | S | 17 | 63 | Nassau | – | – | – | Tel Aviv | S | 30 | 86 |
| Bordeaux | S | 19 | 66 | Inverness | C | 17 | 63 | New Delhi | F | 24 | 75 | Tenerife | S | 26 | 79 |
| Brussels | S | 16 | 61 | Islamabad | C | 29 | 84 | New York | C | 16 | 61 | Tokyo | C | 25 | 77 |
| Budapest | S | 20 | 68 | Istanbul | F | 23 | 73 | Nice | S | 23 | 73 | Toronto | C | 13 | 55 |
| B. Aires | S | 18 | 64 | Jakarta | C | 30 | 86 | Nicosia | S | 39 | 102 | Tunis | C | 26 | 79 |
| Cairo | S | 33 | 91 | Jersey | F | 18 | 64 | Oporto | S | 24 | 75 | Valencia | S | 24 | 75 |
| Cape Town | – | – | – | Jo'burg | C | 14 | 57 | Oslo | C | 11 | 52 | Venice | S | 21 | 70 |
| Caracas | C | 26 | 79 | Lima | C | 17 | 64 | Paris | F | 16 | 61 | Vienna | C | 17 | 63 |
| Casablanca | S | 23 | 73 | Lisbon | S | 24 | 75 | Peking | S | 25 | 77 | Warsaw | S | 12 | 54 |
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Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# Big Bang test for dealers

Continued from Page 1

reached £2.8bn – both figures worse than the market had been told to expect.

A flurry of activity ensued when the Bank issued another small tap stock. Then at 11 am, it was all over for the dealers. The settlements systems then began to sort out the interlocking bargains between the market makers, the inter-dealer brokers who act as an anonymous interface between them, and the Bank of England officials

"Not bad," said Mr Hartnell. "I don't think we did enough business with the Bank of England, but to average very nearly a trade a minute for two hours is not bad."

THE LEX COLUMN

# Agreement, but no agreement

The agreement to trample on the dollar, announced with such aplomb after last year's meeting at the Plaza Hotel, ranks among the rare successes of international co-operation among finance ministers.

Already on the way down when the Group of Five decided to give it a helping hand, the dollar has obligingly devalued itself by almost 30 per cent on a trade-weighted basis. Success had turned to embarrassment, and congratulation to mutual suspicion, long before the G5 arrived in Washington to celebrate their anniversary.

This weekend there has been no quick fix. No agreement, in fact, to put a floor under the dollar, to cap the D-Mark and yen, or even to go in for a round of pro-dollar interest-rate reductions.

Having gone into the weekend half expecting some new strategic agreement from the finance ministers, the currency markets will go to work this morning with half a mind to probe the limits of official tolerance. Contingency planning to avert a dollar collapse, which central bankers were doubtless putting in place yesterday, could be given an early test.

Intervention may well be necessary, and it may have to be more muscular than the dollar dumping which produced such gratifying results 12 months ago. With the Federal Reserve apparently unable to participate, much of the weight could be thrown upon the EMS central banks.

It is also not to be ruled out that the Japanese may decide to mount a yen-stabilisation operation on their own. Years of careful yen-depreciation can scarcely have dropped out of memory, and the absence of US pledges to steady the dollar (or even to stop talking it down) may cause the Bank of Japan to dust off the file labelled "managed exchange rate."

Initially, traders will be watching with interest to see exactly where the Bundesbank's pain threshold is located. Although the betting must be that the Bundesbank will resist attempts to drive the dollar far below DM 2, it may also see the attractions of a bear squeeze in uncharted levels lower down.

Whatever happens in immediate response to the disappointments of Washington, the markets will need to look again at the underlying position. Has the world in fact responded so well to the 1985 agreement that everything will now come right without further prompting, given a bit more room?

At the time, the Plaza accord was clearly the best emergency package on offer, to ward off the gathering danger of a protectionist solution to the US trade imbalance. Devaluation of the dollar was a necessary part of any non-protectionist plan to close the US market to cheap imports of manufactures, and restore the exporting sector of the US economy to something approaching international competitiveness.

Up to a point the strategy has worked. With surprising smoothness it has been possible to achieve a major realignment of currencies to more or less sustainable parities; the threat of protectionist legislation in Washington has receded.

Yet the actual progress of the US trade account has been one of progressively expanding deficits, as continual devaluation provokes hurried spurts of importing (at reduced margins) while exports lag behind.

If ever the foreign exchange adjustment were to level out, of course, the trade flows would eventually respond up to a point. What Mr Baker has tended to claim, however, is that a satisfactory balance can only be achieved if there is the additional encouragement of monetary relaxation in the two major trade surplus countries, West Germany and Japan. It seems to be one of the achievements of the latest meeting to have forced the US to accept that a half-point cut in the Bundesbank's discount rate is not going to make the US trade account come back into balance.

But it is equally important that there has been a realisation – on both sides – that dollar depreciation is not sufficient either. There is a long list of exporters to the US which have been exempted from the pain of currency adjustments, since their currencies are tied to the dollar.

The past year's realignment has not stopped a single shipment from Korea or Hong Kong. It would undoubtedly help to ease the tensions between the US and the main surplus countries if some package could be devised to stem this continued leakage.

It was obvious a year ago that without action to contain the budget deficit, depreciation would only accentuate the difficulties of funding a deficit that exceeds the available domestic savings; in the end, non-US investors who worried about total return on their bonds would demand higher interest rates to compensate for the currency losses. It has not happened yet, but the risk that some US administration might eventually resort to domestic inflation as a means of keeping its real external debts under control still lurks in the shadows.

## TSB allocation

How to feed the five million is a problem that could never have been solved by the TSB, or its advisers. With cheques for more than £5½bn chasing the issue, the challenge for Lazard Brothers was to find some combination of balloting and scaling down of application for TSB that would keep everybody sweet for British Gas.

About half the applicants will have got nothing at all, which in the case of larger applications is a small mercy; nobody is being punished by the allocation of too few shares to cover the price of success in the ballot (roughly 10 days' interest.) But despite the return of something like two million cheques, even the smallest applications stand to be scaled back. As with BT, institutions will have to make up their weightings by scraping up a huge number of small crumbs.

Matching those weightings to the All-Share index is not going to be much easier than with BT, though at least the whole of TSB's equity is included in the sale. The purists among the Actuaries have decided that TSB (and British Gas) are to be put into the index at the issue price, rather than at their value after a day's stagging – during which institutions will have been struggling to buy the stock at a premium.

Fund managers may wonder how far disgruntled trustees will be mollified by excuses about a footnote to the FT-A table, showing how this guaranteed underperformance has arisen. there may also be some soreness at the fact that TSB (unlike British Gas) will not be included in the FT-SE 100-Share index until the turn of the year; for the intervening period, FT-SE will be a touch less good at tracking a market where TSB has a significant weighting, and the various FT-SE instruments will be marginally less effective hedges.

SECTION III

# FINANCIAL TIMES SURVEY

# China's Natural Resources

METALS AND MINERALS

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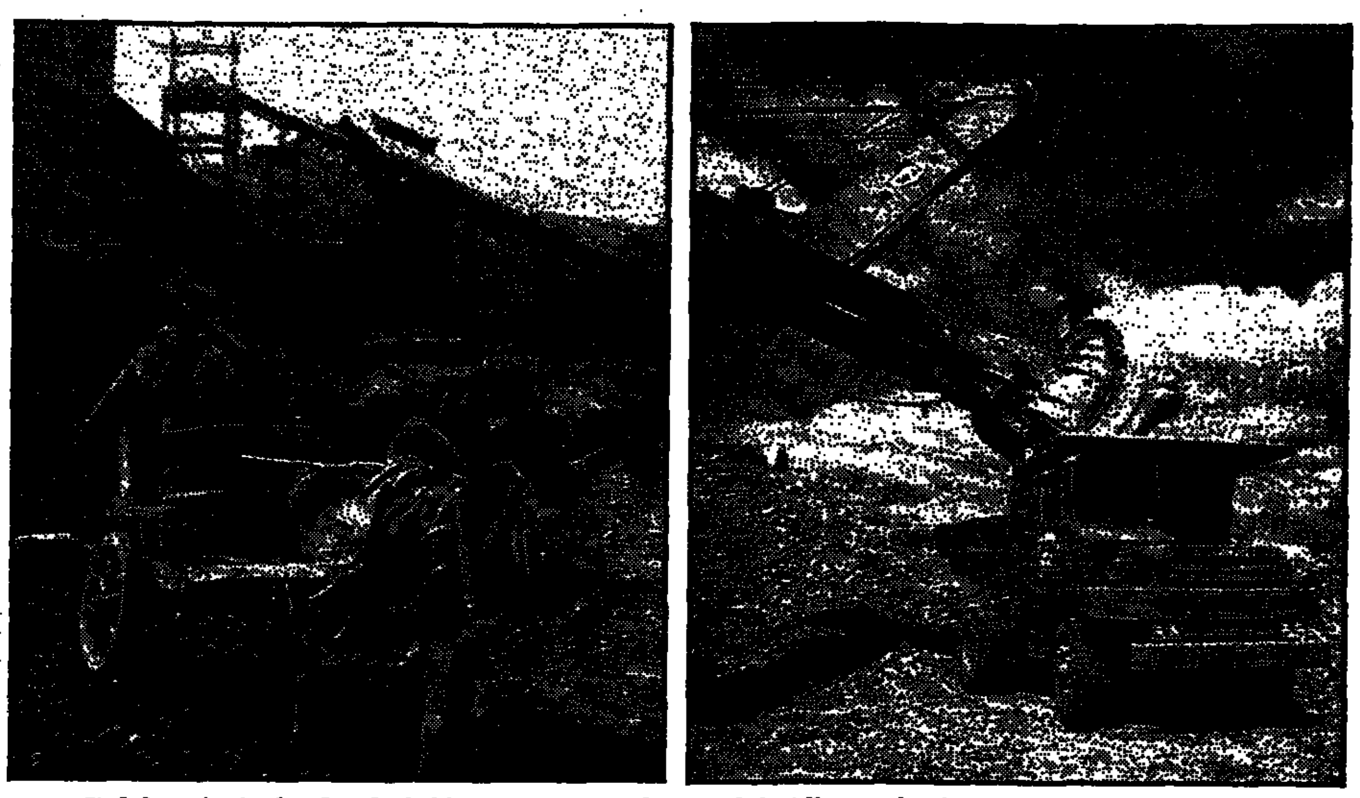
China has rich resources of metals and minerals but faces enormous difficulties in bringing them into production

## An unexploited treasure trove

By Stefan Wagstyl



Study in contrasts: shovels and primitive transport at a coal mine and giant digger and modern truck at Nanshu graphite mine, Shandong province

HUANG CHONGKE spread a map of China in front of him and swept his hand across province after province saying: "China has very rich reserves of many minerals. We have enough to last our people to the end of this century and into the next century."

Huang, an associate chief geologist at the Minstry of Geology and Mineral Resources, pointed out where some of the world's largest deposits of coal, oil, iron ore, bauxite, gold and other minerals lie.

But Chinese government officials have learnt to temper their excitement with caution when they talk of developing these riches.

For while they are as confident as ever of the potential value of China's natural resources they are more aware than before of the enormous difficulties which stand in the way of bringing them into production—the cost of modern mines and processing plants, inadequate electricity supplies and poor transport links between mines and industrial centres.

Moreover, they concede that although China's resources of most minerals are abundant, the quality of many of the deposits is poor, which makes them costly and difficult to exploit.

As a result, while China has made itself virtually self-sufficient in coal and oil, it remains a net importer of iron ore and most non-ferrous metals.

Chinese planners concede that the country will still be importing iron and copper ore in the year 2000. But they hope that the country will, during the 1990s, become a growing net exporter of metals and minerals.

The state of China's natural resources industries is a picture of contradictions—at a mine, workers with picks and shovels labour alongside modern Japanese-built excavators. At an ore treatment plant, one line is controlled by sophisticated West German computers, while another relies on women picking out lumps of waste from ore by hand.

Coal output has expanded quickly, enabling China to export increasing amounts. But so poor are rail links that on occasion the cities of the south have to import coal from Australia rather than from northern China where most of the mines are found.

Almost every industry can boast its prestige modern plant, built on a scale which dwarfs traditional mines and smelters. But in many metals and minerals it is still the small producers which account for much of the output. For example, only two of China's 30 aluminium smelters are large by international standards.

Indeed, these small-scale enterprises, which are typically not owned by the state but by local authorities and sometimes private individuals, have probably grown in importance in the last 10 years, encouraged to raise output by the economic liberalisation which has characterised the policies of Deng Xiaoping, the paramount leader.

In mining, while the future may belong to the mechanical excavator, peasants with picks and shovels and horse-drawn carts will be at work for a long time to come.

This is implicitly recognised in the (revised) 1986-90 Five Year Plan which strongly emphasises a cautious approach to economic growth and great restraint in the spending of foreign exchange.

China has learnt a lesson from the late 1970s and early 1980s when in the first flush of Deng's policy of opening up to the West, a whole host of large projects was launched only to be subsequently cancelled because China could not afford the capital costs. Fluor of the US, which had a contract to build a modern mine at Dexing, China's largest copper mine, was only one of a number of western companies whose hopes were dashed.

For 1986-90, the target for industrial output growth is set at 7.5 per cent a year, compared with an average of 12 per cent for 1980-85. Capital investment is to stay at the same level as 1985 until the end of 1987 with the possibility of a modest increase thereafter. Throughout, the modernisation of existing enterprises is to have priority over new construction schemes.

Zhao Ziyang, China's premier, warned in his report on the Five Year Plan about the dangers of "excessively rapid growth."

However, within this cautious framework, the exploitation of natural resources is to be a higher priority than before, especially the development of energy to help cure China's chronic shortage of electricity supply.

Zhao said: "There is still an acute shortage of energy and of raw and semi-finished materials and the capacity to transport is grossly inadequate."

The targets are modest enough by the standards of previous plans—coal output is to rise by 150m tonnes to 1bn tonnes by 1990, with an emphasis on developing small and medium-sized mines rather than the large ones favoured in the past. Crude oil production is to be increased by 25m tonnes to 150m tonnes, with considerable stress on renovating old oil fields, especially Daqing, in north east China, to make the best of their dwindling reserves.

In metals, steel output is to increase from 46.6m tonnes last year to 55m-58m tonnes, an increase of 18 to 24 per cent. The capacity of iron ore mines, which last year produced 132m tonnes of ore, is to be increased by 42m tonnes. But the ubiquitous problem of low-grade deposits is at its worst in iron ore—only 7.4 per cent of China's reserve contains more than 34 per cent iron, one of the lowest proportions in the world.

The non-ferrous metals industry has more ambitious goals. In the past the industry complained that it was being starved of resources by the Ministry of Metallurgical Industry, which favoured the development of steel. An independent China National Non-Ferrous Metals Industry Corporation (CNNC) was created and took full responsibility for the industry late last year.

It plans to raise total output of non-ferrous metals by nearly 45 per cent by 1990. Aluminium has been singled out for particularly rapid expansion, with a target of a 420,000 tonne increase in output by 1990.

Western traders estimate output was 400,000 to 450,000 tonnes last year—which would make the planned increase 100 per cent.

CNNC is anxious to reduce the deficit in China's non-ferrous metals trade which last year totalled $400m. Imports at $800m were double exports. This year, imports have been cut back sharply to save foreign exchange but traders say they are likely to pick up again as stocks are run down.

The development of natural resources is closely tied into the geographical expansion of China's economy. Mines which date back to the 1960s and before are mostly in eastern parts of the country, where the bulk of China's population and industry are found. But the Government wants to exploit the mineral resources of the less highly-populated central and western regions, partly because there are huge potential sources of hydro-power and partly to help bring industrialisation to economically-backward provinces.

Unfortunately for Peking this policy is expensive because of the cost of building new plants in remote areas and of linking them by rail or road to industrial cities. Nevertheless, the Government is pressing ahead, albeit selectively.

For western companies the prospects of profiting from the expansion of China's natural resources industries look less exciting than they did a few years ago. This year is a far cry from 1978 when one British construction engineering company alone had 98 engineers in Peking working on a host of big projects.

The substantial contracts are still there but they come more rarely and more slowly. For example, Pechiney, the French aluminium company, and George Wimpey, the UK construction group, have been involved in feasibility studies for a $700m aluminium complex since 1984 and the scheme has still not been given a definite go-ahead.

However, there are more modest opportunities to be found. China is very keen on construction projects where the bulk of the work can be carried out in China with only key pieces of equipment imported from abroad. The country also needs help from industrialised countries in improving existing plants by modernisation or better management techniques.

But companies should not expect too many repeat orders for the same equipment—China is quick to save foreign exchange by building copies. Nanshu graphite mine, Shandong, has recently bought a Japanese processing plant. Zu Deren, the deputy manager, says: "We have bought this know-how. So now it's become our know-how. We don't need to import it again."

Meanwhile, traders will benefit from China's continuing need to import raw materials and its desire to increase exports in basic industries.

In non-ferrous metals, the newly-established CNNC says that it will gear its plans to some extent to the international market—it is no accident that it has chosen to concentrate on expanding aluminium and zinc, while giving a low priority to copper, for the outlook for world copper prices is particularly depressed.

But the most significant admission China has made of its need to rely on imported raw materials for a long time to come is the investment it is making or considering making in mines and smelters overseas.

There could hardly be a clearer sign of the cautious approach China is now taking to the development of its own natural resources.

# China's Natural Resources 2





## Offshore Oil

# Terms eased by Peking as oil price flags

IN THE space of about six years, the international oil industry's opinion on offshore China has performed a remarkable about-turn. From being regarded initially as the "last great frontier" for oil exploration, the region has now become "the disappointment of the 1980s."

Oil prices hovering between $10 and $15 per barrel simply exacerbated an already bad situation. As interest in exploration slackened, and companies were *forced to* reconsider—privately if not publicly—the economics of oil and gas discoveries under development, the Government is finally loosening its less-than-generous petroleum legislation.

Since China's second offshore bidding round closed last August, only seven new contracts have been signed. Recognising that some new incentive was necessary to waken any interest in the flagging international petroleum market, the Government is exhibiting more flexibility in its negotiations and adjusting terms according to a company's situation.

For blocks awarded in the second round, the Government has dropped its 12.5 per cent royalty on fields producing less than 1m tonnes annually, about 20,000 b/d. Royalty payments for those fields exceeding this level of production will be renegotiated.

There have also been some indications from the Government that the entire royalty system itself is under re-examination, and could be dropped altogether.

Another incentive to the foreign companies is a proposed reduction of the contractual requirement for employment and training of Chinese personnel. A common complaint by companies was that workers were hired at western rates of pay but themselves only received the standard Chinese rate. The difference went to the Government.

A significant change will be the Government's decision to abandon the obligation on contractors to drill in so-called "marginal" areas, that is areas of lower prospectivity, should they wish to explore more highly-rated areas. Nevertheless, to many specialists who have worked on oil exploration offshore China, prospects in the area are almost uniformly low.

In the South China Sea, the drilling of more than 40 exploration wells has produced only nine oil or gas discoveries. In the Yellow Sea, five exploration wells have registered oil or gas shows.

Of these discoveries, there is no guarantee that, at current oil prices, their development will be an economic proposition. The resulting disillusionment has led most in the oil industry to write off offshore China.

At first sight, it appears unlikely that the vast area offshore China could have been adequately explored with just 40 to 50 wells. At the end of 1985, over 98,000 sq km offshore were held under licensing rights. With the announcement of the second offshore bidding round, a further 106,300 sq km were added to the total.

However, the specialists maintain that their disillusionment is correct. The reason is that the geological structure of offshore China is far less complex than say, in the North Sea. Therefore, they add, the wells drilled so far provide an adequate assessment of the region's potential.

But by far the greatest geological problem is the lack of adequate source rock. This is the strata which actually generates the oil and gas, after it has been heated through burial under huge thicknesses of later sediments. In the case of offshore China, there is too little of this source rock to have generated large quantities of hydrocarbons.

Another, and perhaps more serious problem, say the specialists, is that what source rock is present, has not even been adequately buried and heated to have generated the oil and gas in the first place.

The problems do not stop there. Some in the oil industry feel that there are no more larger structures to be tested. They maintain that all the larger prospects, called somewhat appropriately, "the golden babies" have already been drilled. The consensus is that it is highly improbable that there could be any new discoveries greater than 100m barrels.

It is the quality of the oil which has been found that puts the final nail in the coffin. The oil is highly waxy. Wax contents of over 25 per cent have been reported, making production difficult.

It also has a low gas content, making production even worse, as the presence of gas in oil helps to push it through a well. Therefore, although on testing some discovery wells were reported as having very high flow rates, sometimes over 10,000 b/d, this flow simply cannot be sustained.

"And it's just the same onshore," was the exasperated comment of one senior executive. As an illustration of the problem, it has been reported that some wells in mainland China are being drilled without blow-out preventers.

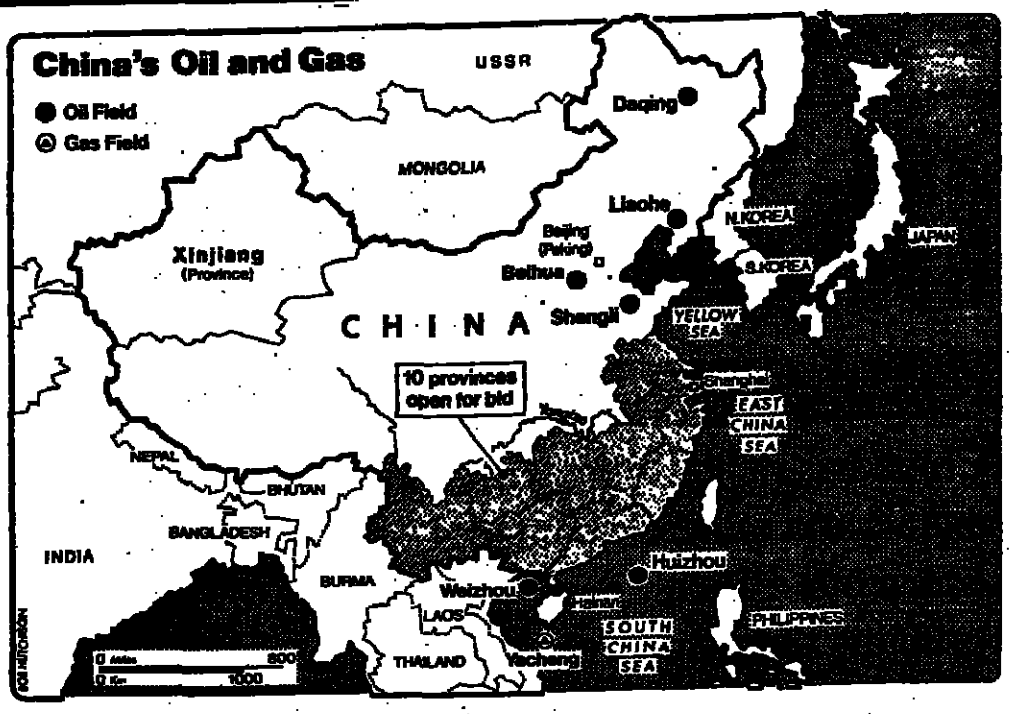
Although present oil prices create a huge uncertainty factor in field economics, developments are underway. The Chengbei field in the Bohai Gulf, a Sino-Japanese joint venture, is expected to produce 8,000 b/d for five years, when additional output comes on stream by early next year.

Development of Arco's Yacheng gas discovery is still proceeding. Costs of the projects development have been estimated at around US$700m, with the first gas deliveries expected in late 1989.

Whatever China's current sentiments towards the Organisation of Petroleum Exporting Countries over cutting oil production, the country stands to face considerable oil supply problems by the end of the century if depleted reserves are not replaced through new discoveries. The combination of low oil prices and high finding and production costs, say industry specialists, means China will have to take far greater steps in easing its petroleum legislation, than they have indicated so far.

The Total-operated Weizhou field in the Beibu Gulf, is expected to produce an initial output of up to 14,000 b/d starting late this year. The largest offshore potential producer is the Japan-China Oil Development Corporation's Bo Zhong field in the Bohai Gulf. Production from this field is expected to begin in 1987. Output is expected to peak at a rate of 34,000 b/d by 1990.

**Maria Kielmas**






## Onshore Oil

# Leaping towards 1990 target

CHINA'S ONSHORE oilfields have made an astonishing leap forward since 1984. Last year production reached 124.8 million tonnes, after sticking at what seemed like a permanent plateau of 100 million in the *years 1979-83. The target of 150* million tonnes by 1990 now seems not unrealistic in the light of the exploration and development of the last few years.

Confounding the pessimists, the Chinese have discovered substantial fresh deposits and put technology to solve problems in the older fields, especially Daqing. Contrary to the expectations of the early 1980s, the offshore blocks are not producing more than a tiny fraction of the total output.

The big hope for growth now is onshore, in central and east China, but this is likely to give few opportunities for western companies.

Along with other energy sources, oil is crucial to the success of China's development. Last year it exported 30 million tonnes of crude—a valuable contribution to foreign exchange earnings which will be hit in 1986 by falling world prices.

More importantly, oil is vitally necessary to fuel industry and transport. This is especially true in east China, where at any one time around a third of industrial capacity is idle because of power cuts.

Some 20 million tonnes of 1990's projected increase over 1985 is planned to come from stepped-up production in east and central China, much of it probably from the new oilfield at Gudong, near Shengli in Shandong province. Chinese oilmen are predicting that Shengli (including Gudong) may in due course rival in output China's top oilfield, Daqing.

Gudong, close to the mouth of the Yellow river in Shandong, produced an estimated 2 million tonnes in 1985 and is now on line for over 3 million this year. Eight million tonnes is the target for 1987. At Gudong, more than 20,000 workers have drilled 416 wells, laid 321 km of oil and gas pipe and set up 142 km of power transmission lines.

For decades China was regarded as a country with few oil resources. Even during the period of Sino-Soviet friendship in the 1950s, Russian engineers were unable to find major oilfields. Small amounts were produced in the far west, where for centuries tribesmen had used oily surface deposits for their lamps. Not until the early 1960s did the Chinese find and exploit the major field at Daqing in Heilongjiang.

For 20 years, Daqing has been the backbone of the Chinese industry. Of total Chinese output last year, Daqing contributed around 50 million tonnes. This field reached peak production several years ago, since when China has increasingly sought foreign money and technology to improve the oil recovery rate and to drill in peripheral areas.

It is evidently a hard fight to keep production up to present levels. Engineers started using water injection six years ago to maintain oil pressure. "We have to ascertain first which oil-bearing strata already contain water and which do not, and locate strata 2-5 centimetres thick," Mr Wang Demin, chief engineer, told China's official Xinhua news agency.

Daqing has had World Bank and Japanese loans which have helped it acquire technical assistance plus foreign drilling and seismic equipment, as well as production and surface facilities. Among the latest foreigners to show interest in providing technology are Canadian oilmen from Alberta, which is twinned with Heilongjiang.

Mr Bob Snyder, chairman of the Edmonton Economic Development Authority, said after a visit to Daqing late last year that the field needed water-oil separators, non-corrosive pipelines and equipment as well as seismic interpretation to enhance recovery.

China's second largest field, Shengli in Shandong province, has also been on stream since the 1960s. Last year it produced 27m tonnes of oil, a notable success after a fall between 1979 and 1983.

The 1990 goal for the field (including Gudong) is 50m tonnes, which Japanese specialists believe is realistic if China makes the necessary investment. Recent exploration has led to the finding of around 500m tonnes of further reserves.

Third in size is Huabei ("North China"), producing since 1976, which now generates some 10m tonnes of crude annually. A peak of 17m tonnes in 1978 has not been matched since.

This is because Huabei is of the "buried hill" formation type which gives high production at the outset but has a fast depletion rate. To maintain steady output, the oilmen adopted techniques such as pumping emulsifying acids into the wells to dissolve obstructions.

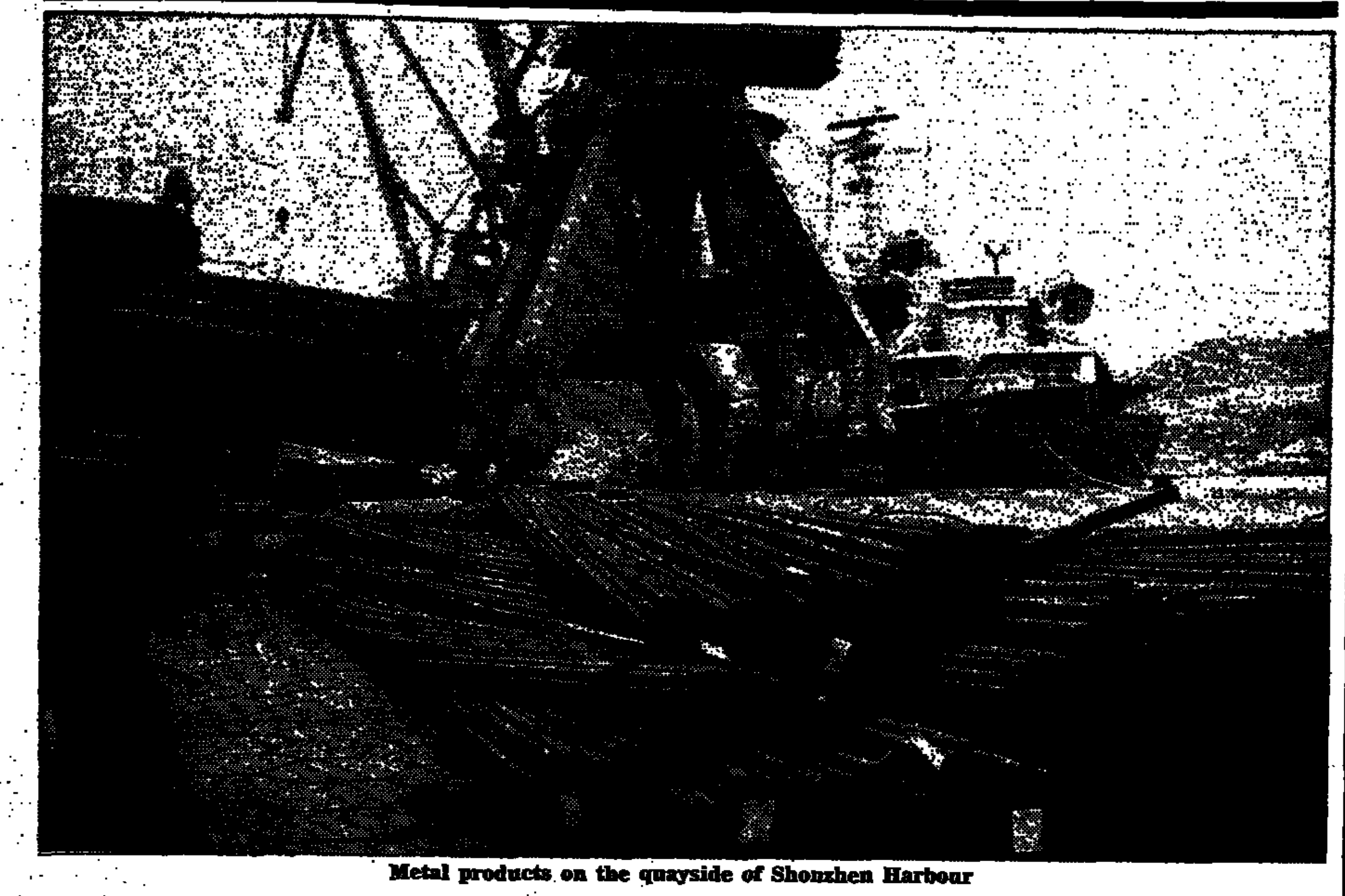
They also tried a new chemical agent to control the flow of water in the wells. Improved water injection methods have reportedly helped to restore natural pressure.

Other important and conveniently located fields are Liaohe, in Liaoning province, and Zhongyuan ("Central China") with a 1985 output of 8m and 5.5m tonnes respectively. Japanese specialists believe these fields may both reach 10m tonnes by 1990.

Far more isolated are Karamai in north-west Xinjiang and the Qaidam basin in Qinghai, producing a few million tonnes a year but unlikely to see much development because of their remote location.

Unlike offshore, foreign involvement onshore has been limited mainly to survey work under contract. Last year Peking announced that foreign companies would be allowed to search for oil in ten so-far unexplored provinces, but with present low oil price levels few westerners seem likely to take up the challenge.

**Colina MacDougall**



Metal products on the quayside of Shenzhen Harbour

## Metal Exports

# Price fall cuts tin trading

CHINA'S TIN industry has been plunged into turmoil by the collapse of the International Tin Agreement, which supported world prices for nearly 30 years.

The fall in prices which has followed the International Tin Council's default last October has led to a sharp cut in Chinese exports of tin, traditionally one of the country's most important foreign exchange earners.

China, one of the largest tin exporting states, consistently refused to join the pact. But it took advantage of the high prices achieved by the ITA, selling tin abroad whilst denying charges from ITA members that it was flooding the market.

Last year China increased tin exports by 99 per cent to 7,249 tonnes. This year it has cut back as rapidly as it expanded—tin exports fell from 2,380 tonnes in the last quarter of 1985 to just 476 tonnes in the first three months of 1986. Western traders say that sales have since recovered somewhat but they will still be far short of last year.

With tin trading at 60 per cent below the levels seen before the default of the International Tin Council, the reduction in China's foreign exchange earnings will be even greater than the fall in export tonnages.

Chinese industry officials say that although exports will be lower this year output will stay unchanged and more tin will be directed to the home market. Mr Zhu Zu Bao, deputy manager of China National Metals and Minerals Import and Export Corporation in Yunnan Province, which produces at least half of China's tin, says: "The international market is not so good. If we export now we will lose out. But the market in our own country is getting bigger and bigger."

However, western traders are not convinced that China can reallocate its supplies so quickly. They believe that provincial export managers will be tempted to continue selling abroad to earn foreign exchange whatever the tin price.

China does not publish output of consumption figures. But western traders estimate that production fell from a peak of 25,000 tonnes in the 1960s to some 15,000 tonnes in the late 1970s before recovering to about 20,000 tonnes last year, partly as a result of a drive to increase exports to take advantage of ITC-supported prices and partly as a result of the opening up of new mines.

The oldest and largest source of tin in China is Gejiu, Yunnan, which is known as "The Kingdom of Tin." The hills surrounding the city of 100,000 people are scarred with the red gashes of rock exposed by open-pit mining. Smelters belch smoke day and night.

For decades grimy Gejiu has been one of the wealthiest cities of China's remote interior, exploiting the northern end of the same belt of tin ore which runs through Burma, Thailand, Malaysia and Indonesia. Large-scale mining techniques were brought in early in the twentieth century after the French colonial rulers of Indo-China built a railway south to the Vietnamese port of Haiphong.

But the very rich deposits are slowly being exhausted. Gejiu's output has fallen from a peak of 20,000 tonnes a year in the 1960s, when it accounted for almost all of China's tin, Mr Zhu says that the average grade of ore processed has fallen from over 0.5 per cent to 0.2-0.4 per cent; stimulated by the price-support activities of the International Tin Council, output has recovered from a low of 7,000 tonnes in the early 1970s and, according to Mr Zhu can be maintained at 10,000 tonnes a year for the foreseeable future.

However, China's second largest tin mining area at Dachang, Guangxi, which has been developed since the 1950s, is gaining in national importance. Mr Gao Wansheng, vice president of the China National Non-Ferrous Metals Import and Export Corporation, told Australian businessmen in May that both the Yunnan Tin Industry Corporation (the state-owned company which dominates Gejiu) and Dachang would be enlarged and expanded under the 1986-90 Five Year Plan using, in part, imported technology and equipment. Foreign companies have been involved in the past in the tin industry—albeit on a modest scale, most recently the UK engineering group John Brown completed a modernisation contract at Gejiu.

There is room for improvement in the industry. The proportion of tin recovered from the ore at Gejiu is 55 per cent, according to Mr Zhu, which is very low by world standards. The figure could well be lower in other tin producing areas since concentrator plants and smelters are much smaller than at Gejiu.

Part of the problem is that tin particles in Chinese ore are small by comparison with Malaysian and so are difficult to treat but western engineers say that poor ore processing technology is also to blame. On top of this, electricity shortages mean that production at Gejiu and at Dachang is often interrupted by power cuts.

Under the Five Year Plan a particular target of the tin industry is to raise the amount of by-products recovered from the ore—there are valuable traces of germanium, gallium, and cadmium, as well as copper, silver and gold. However, for as long as the current slump in world tin prices persists it seems likely that investment in tin will have a low priority for China's non-ferrous metals industry.

The same is true for China's second traditional export metal—tungsten. Mr Huang Chongke, an associate chief geologist at the Ministry of Geology and Mineral Resources, says that China has been limiting tungsten production for many years. Exports have moved erratically downwards in recent years from 26,000 tonnes of metal in concentrates in 1981 to 21,000 tonnes last year. In the first quarter of 1986 they totalled 4,366 tonnes.

China, with about 40 per cent of the world export market, has been hit by a relentless slide in prices, which has reflected poor demand in the steel industry, the biggest customer. In the past four years tungsten has fallen from over $140 a kilo to $40. There is little sign of a recovery.

China has about half the world's reserves of tungsten, found mainly in the south, with the biggest production centre in Jiangxi Province, Mr Chongke says: "There's very little tungsten in the world. The problem is people are using other materials." As a result, China's tungsten industry suffers from a lack of investment—technology is poor and the proportion of tungsten recovered from ore is sometimes as low as 30 per cent according to Western engineers.

Moreover, China lacks the plant needed to convert semi-processed tungsten concentrates into more valuable finished products. Chinese officials are well aware of their difficulties. Last year, the China Tungsten Industry Association was established at Nanchang, Jiangxi, to promote the development and overseas marketing of value-added products. But it is hard to see how state planners would be justified giving extra resources to the industry at this time.

By contrast, the rare earths industry is attracting investment in the hope of increasing its export earnings in potentially-valuable markets. Last year, China, the second largest producer after the US, processed an estimated 9,000 tonnes of rare earth oxide (REO), more than half of which was exported. Export earnings have however been modest—averaging $20m a year in the past five years, according to Chinese officials.

Rare earths are compounds of about 20 elements which are found in small quantities in very few parts of the world. However, since their uses are limited rare earths are not generally in short supply. This is particularly true of mixed rare earth compounds, made up of metals extracted together from the same ore. These unseparated rare earths, used in steelmaking, glass and ceramics, and in cigarette lighter flints sell for only about $130 a kilogram of contained REO.

However, there is increasing demand for rare earths separated into individual compounds and metals—for use in high technology industries. These products can sell for $1,000 a kg and more.

Most of China's exports have so far consisted of unseparated rare earths, but the industry is investing in separation technology. The techniques are difficult to learn. It was only in the late 1970s that China was able to produce concentrates of 90 per cent REO-content, the minimum for separation.

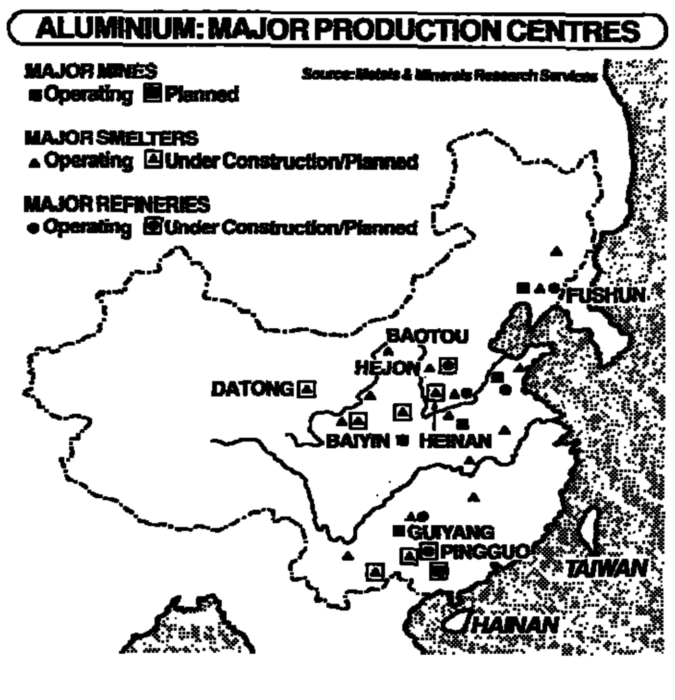
Since then Yue Long, near Shanghai, China's most advanced rare earths plant has concentrated on separated products, which now account for some 70 per cent of its 1,000 tonnes-a-year output. Its best-selling export is yttrium oxide, a powder used in coating television screens. A much larger plant at Baotou, Inner Mongolia, which has hitherto specialised in lighter flints, has also expanded high purity production and last year installed its third separation line. Baotou, with a total capacity of 5,000-6,000 tonnes a year, is not far from Bayan Obo, an iron ore mine which is China's largest source of rare earths.

In developing separated earths China will compete with rivals who include Molycorp of the US, the British group Johnson Matthey, and several Japanese companies.

**Stefan Wagstyl**

Aluminium

# Plant upgrading is part of expansion plan




CHINA HAS singled out aluminium from other non-ferrous metals for particularly rapid expansion under the 1986-90 five-year plan. But the difficulties the industry faces in achieving the ambitious goal of doubling production are probably greater than those of any other metal.

There is no argument in China about the need to increase aluminium output — the country's rapid economic growth has created demand for the metal for wiring, household goods, cans and aircraft. Last year, China produced some 400,000 tonnes of aluminium, according to western estimates, but imported a further 488,000 tonnes — 92 per cent more than in 1984.

This year government orders to conserve foreign exchange held imports back to 94,000 tonnes in the first five months, 40 per cent down on the same period last year. But western traders expect some recovery later this year and in 1987 as China's stocks run down. The China National Non-Ferrous Metals Industry Corporation (CNNC) accepts that the country will stay an importer of aluminium at the end of the current five-year plan.

Mrs Xiao Tongying, deputy chief engineer, at China National Non-Ferrous Metals Import and Export Corporation (an arm of CNNC), says that imports depended on world prices and China's foreign exchange position but they could stay at current levels until 1990.

Mr Gao Wansheng, vice-president of the import and export corporation, told Australian businessmen in May that the target was to raise output of alumina (an intermediate material produced from bauxite ore) by 1.1m tonnes and of aluminium metal by 420,000 tonnes under the five-year plan.

China has about 30 aluminium refineries, of which the largest are a 110,000 tonnes-a-year capacity plant at Fushun, Liaoning province, and an 80,000 tonnes-a-year plant at Guiying, Guizhou.

The Guizhou smelter is a modern Japanese-built plant completed in 1981 which, in outward appearance at least, is similar to advanced refineries in other countries. But it is not typical — many Chinese smelters are small 15,000 tonnes-a-year capacity factories, built 20 or more year ago, consuming power very inefficiently and producing large amounts of polluting dust.

CNNC says that upgrading and improving existing alumina and aluminium plants is an important element in its expansion scheme, in keeping with the Government's insistence that the emphasis of the five-year plan should not be on large greenfield ventures. However, it is particularly difficult to modernise old-fashioned aluminium plants because the industry is relatively new in comparison with other non-ferrous metals and the technology has changed greatly over the past 30 years, raising the optimal capacity of a smelter from under 30,000 tonnes a year to over 100,000 tonnes.

It therefore seems that the expansion of output at existing sites will largely come from building new production lines alongside old plant rather than modernising existing equipment. Xinhua, the Chinese news agency, last month said that work on the biggest such expansion project had begun at Zhengzhou aluminium factory, Henan, China's largest alumina plant.

Meanwhile, several schemes for new production sites are at various stages of development.

The most advanced of the new projects are a 200,000-tonnes-a-year alumina plant in Shanxi and a 100,000-tonnes-a-year smelter in Gansu, mostly built out of a second-hand plant bought from Japan, which are both due for completion next year. China is also planning a 100,000-tonnes-a-year smelter in Qinghai, for which key equipment is being imported from Europe and Japan, and a large-scale project in Guangxi Autonomous Region, involving a 300,000-tonnes-a-year alumina plant and a 100,000-tonnes-a-year smelter, costing some $700m.

Pechiney, the French aluminium group, and George Wimpey, the UK construction company, have been working on feasibility projects for nearly two years on the Guangxi scheme but there is little sign yet that contracts are to be signed in the near future.

However, it is a sign of China's concern about the cost of expanding domesic production that the largest investment of foreign exchange that has been made recently was the A$115m (US$72m) purchase of a 10 per cent stake in a smelter in Portland, Victoria, in Australia. The 150,000-tonnes-a-year plant is to start limited production next year.

China has good reason to be cautious. Its aluminium industry faces two serious difficulties which affect not only the prospects for new plants but also maintaining output at existing sites—low-quality home-mined bauxite and inadequate electricity supplies.

China has abundant reserves of bauxite—400m tonnes of industrial-grade mineral according to western estimates. But this bauxite is hard and poorly soluble and so is difficult to convert into alumina in the Bayer process, which is used in alumina plants throughout the world.

Mr Sheng Da Ming, a planning official of the China National Non-Ferrous Metals Corporation, says: "Our bauxite is hard to treat. It is unique in the world. But we have developed unique techniques to treat it."

However, China continues to import alumina, principally from Australia—300,000 tonnes a year according to one trader in Hong Kong. The Guizhou plant, which is surrounded by bauxite mines, imports an estimated 80,000 tonnes of alumina a year, which is mixed with local material to improve the quality of the feed to the smelter.

The poor quality of the bauxite means that energy consumption in China's alumina plants is about double the average for countries where more easily-processed material is used. China's smelters meanwhile consume 10 or 20 per cent more power than advanced plants in western countries, according to the Mining Annual Review, a UK industry publication.

This is largely because of relative inefficiency of small plants; engineers at the Guizhou smelter say it consumes 13,700 Kwh per tonnes of metal, a figure which compares favourably with similar smelters elsewhere.

China's electricity supply cannot keep up with the aluminium industry's demands. Power supplies are frequently interrupted, cutting output and increasing maintenance costs, so that the industry runs below its nominal capacity. The 111,000-tonnes-a-year Fushun plant is operating at 30,000-tonnes-a-year, say engineers at Guizhou.

In the long-run, the industry's difficulties should be solved by the expansion of power supplies which has top priority in the current five-year plan. So far only about 5 per cent of China's potential hydropower resources of 370 GW has been tapped. Chinese officials hope that eventually China could become one of the world's largest exporters of aluminium.

The scale of the investment needed in power stations and in transport, as well as the cost of alumina plants and smelters, suggests that it will be well after 1990 before China's aluminium producers meet domestic consumption, let alone have enough metal to sell overseas.

**Stefan Wagstyl**





Gold

# Output set to rise substantially

CHINA'S GEOLOGISTS are given top priority to prospecting for gold for the rest of the decade. Mr Huang Chongke, an associate chief geologist at the Ministry of Geology and Mineral Resources, says that under the 1986-90 five-year plan gold prospecting will be of the utmost importance because of the need to earn foreign exchange to pay for China's modernisation.

"We have not paid much attention to gold for quite a long time so production is quite low. We want to change this," he said.

China's gold output has been rising steadily in recent years according to industry officials—perhaps by 10 per cent a year—stimulated by the rise in world gold prices and by the lifting on restrictions on peasant gold miners, who account for at least 25 per cent of China's production and possibly as much as half.

China does not disclose production figures. Western traders estimate that last year's output was between 60 and 65 tonnes. Mr Hou Jianping, a senior official at the China National Gold Corporation, which is controlled by the Ministry of Metallurgical Industry, says that Chinese gold production is close to that of the US and Canada, which in 1985 produced 79 tonnes and 86 tonnes respectively.

Chinese output is set to increase markedly next year when China's largest gold mine starts production, milling 1,500 tonnes of ore of unspecified grade a day, at Jiaojiashi, in Shandong Province, which lies on the coast south-east of Peking. Shandong is China's richest source of gold, accounting for perhaps 25 per cent of national output.

Jiaojiashi is the biggest investment in an expansion programme which has secured an increased share of state funds under the current five year plan. China Daily recently reported that investment in gold was being raised by 76 per cent this year over 1985—to 300m yuan (US$81m). The newspaper said this would rise to 400m-500m yuan a year by 1990, increasing annual capacity by 7-8 tonnes.

These figures do not take account of further increases in production by individual peasants who have been allowed to prospect for gold since 1975. Government officials estimate that some 180,000 peasants have turned prospector, panning for gold in rivers or digging shallow mines.

They have been encouraged by increases in the state bounty paid for discoveries of one tonne and more and in the price paid for metal by the Bank of China, which has an official monopoly of gold sales at home and abroad. The bank last year increased its price from 697 yuan to 895 yuan an ounce ($188.40 to $241.90).

This is still well below the world price and smuggling persists, despite severe penalties. Peking recently complained that the 8.7 per cent increase in gold output recorded for the first half of 1986 would have been higher "if the individual panners turned all their products over to the state."

Gold has been found in most Chinese provinces, with mining in some areas dating back thousands of years. But there are often substantial difficulties in processing the ore. Chinese deposits, like those of North America, are modest in grade by South African standards, ranging between 3 and 10 grammes in metal per tonne of processable ore, according to Mr Hou. However, Chinese ores contain unusually high amounts of carbon which make them difficult to process. "Our processing technology is good but there is little we can do about the geology of our country," says Mr Hou.

China is reluctant to involve foreign companies too closely in its gold industry. Mr Hou says there is no need since China's prospecting and processing skills are up to world standards.

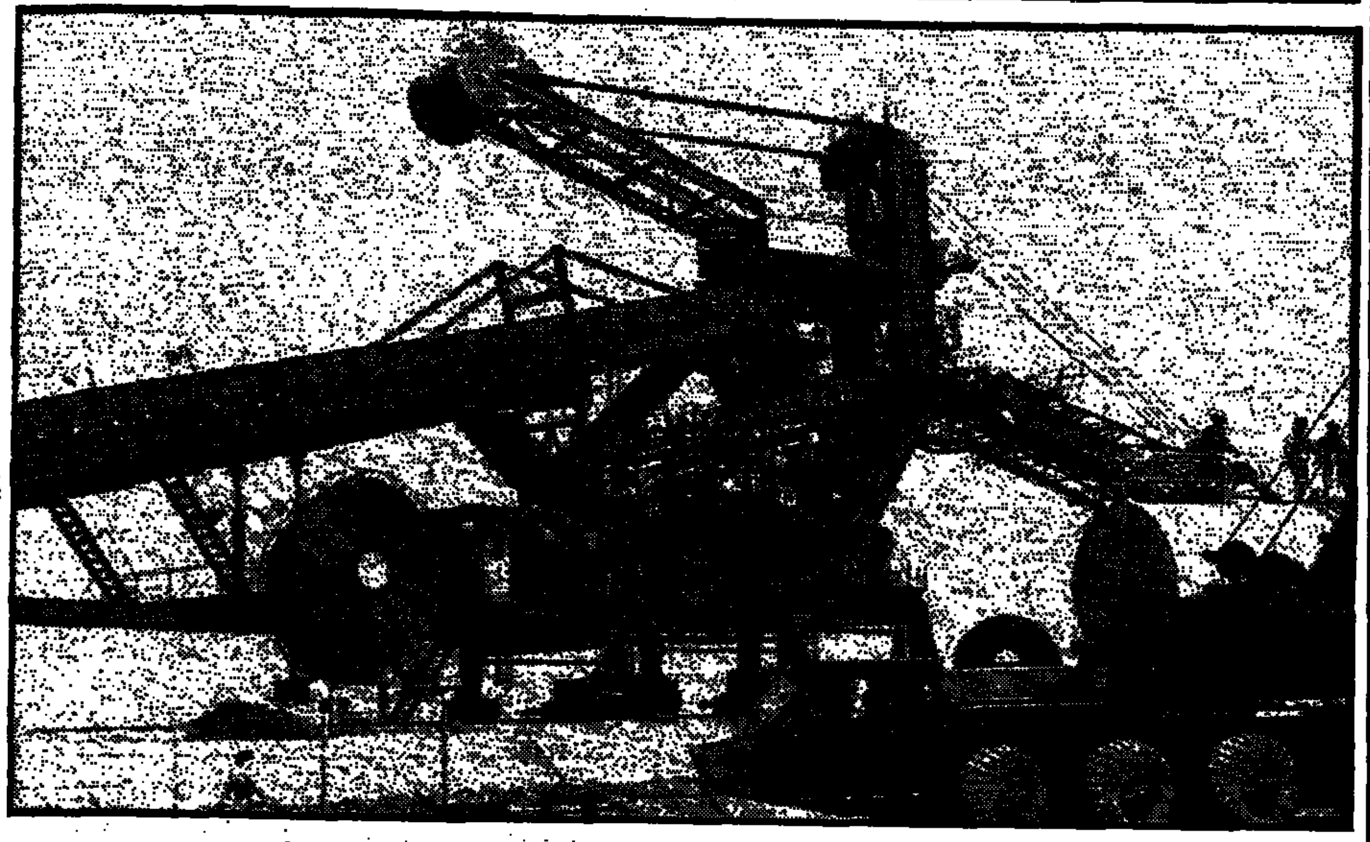
There have been exceptions—Davy McKee, a subsidiary of the UK engineering group Davy Corporation, in 1984 installed China's first carbon-in-pulp treatment plant (a process developed in Australia for processing low-grade ore) and subsequently built four others.

This year the regional government of Xinjiang Autonomous Region in the north west signed a prospecting joint venture with Galactic Resources, a small Vancouver-based company. The China National Gold Corporation is planning to invest in a small Canadian gold mine—Hunker in the Yukon.

These moves are modest in comparison with the hopes some western gold companies had in the late 1970s and early 1980s of winning permission for big prospecting and production ventures in China. Mr Hou says: "We will not allow foreign companies into China's gold industry for the time being. This policy will not change in the short-term."

There is a lively and growing market for gold jewellery in China, with stores in large cities doing a brisk trade in low-weight low-carat rings, necklaces and bangles. Western traders believe the potential demand could be enormous since gold sales resumed in 1983 after a ban of 20 years. But the Bank of China is likely to control the bullion supplied to the home market very closely since it is selling gold abroad to ease the country's current account deficit. Earlier this year traders in Hong Kong reported that China sold 10 tonnes of gold.

**Stefan Wagstyl**



Coal handling equipment at Shijui Port, Shandong, jointly built with Japan

Coal

# On target for 1bn tonnes

CHINA, WHICH last year overtook the US and the USSR as the world's largest coal producer, is continuing to expand its output at a relentless rate.

The 72m tonnes of new output mined in 1985 was in excess of the total production of West Germany, a major coal mining nation. The forecast increase this year is another 23m tonnes, which would take the total to 847m tonnes, putting the industry well on the way to reaching its target of 1bn tonnes by 1990.

All this has come as something of a surprise to the world coal industry. When, at the end of the 1970s, the country's plans for coal were unveiled to reveal a projected doubling of production to 1.2bn tonnes by the end of the century, they were largely dismissed as excessive, as reflecting the lack of realism that often accompanies much long-range planning in centrally planned economies. Many analysts predicted that these figures would be steadily revised downwards.

Certainly the plans have been revised, but not downwards. Now the China National Coal Import and Export Corporation reckons that output is likely to be closer to 1,400m tonnes in 14 year's time rather than the 1,200m tonnes originally projected.

The problems of expanding the industry—seen as essential for sustained economic growth—are manifold. The coal is there in vast quantities—at the latest estimate 770bn tonnes of which 100bn tonnes are recoverable with present mining techniques. But the coal is all in the wrong place.

The sparsely-populated northern provinces are the centre of current activity and future expansion with 75 per cent of the reserves, but the demand is largely in the industry and population centres of the south.

The sustained and widespread development of transport to move coal hundreds of miles is in hand. Currently most of the attention is on the upgrading and electrification of the rail links between the main coal-producing province Shanxi (214m tonnes last year out of a total output of 847m tonnes) and the Pacific port of Qinhuangdao and the upgrading of that port's throughput from 40m tonnes annually to 73m tonnes.

Just as important, however, is the expansion of road and inland shipping capabilities and the establishment of a series of mine-mouth power stations to convert coal into electricity at source.

It is at the production level, however, that most effort is being concentrated. While mammoth opencast developments such as the 15m tonne a year, $650m Antaibao joint venture between Occidental Petroleum and a range of Chinese interests may attract the headlines, the bulk of production is at a much smaller level. No one actually knows just how many mines there are in the country, but there could be as many as 80,000, only 580 of which are the major state-owned mines. The others range from developments run by provinces to family-operated pick and shovel operations.

Certainly much of the growth in production over the last couple of years has been at the local level where more than half (430m tonnes last year) the country's output is won. Initially, the China National Coal Development Corporation had put greatest emphasis on megaprojects like Antaibao which is due to export its first coal in a year's time.

Many of these involved a substantial element of foreign investment. But over the last couple of years the nation's planners have cooled to these joint ventures, partly shrinking away from loading the country with debt repayments and partly because international coal prices have steadily plummeted from a high in 1981 and 1982 with no sign of any recovery.

Many of the internationally-backed projects were seen largely as export mines whose profits would pay for the installation of upgraded rail links and port facilities. These could then be used for domestic as well as international traffic.

The biggest casualty so far has been the Jungar opencast development in inner Mongolia which attracted US$1.25bn in Japanese funding. Jungar—also spelt as Zhungheer—would have (and may still, as it is still listed in the current Five Year Plan) seen the construction of a 35m tonne a year opencast mine as well as two 2,000 kilometre slurry pipelines to take the coal to Qinhuangdao.

Up to six power stations were to be erected along the route of the pipe. Although work had in fact started on Jungar where Bechtel of the US was involved in a joint venture, last year the Chinese invoked stop-work clause and Bechtel has now quit the site. Many felt that Jungar was just too big and if such projects ever go ahead it would be in the much longer term.

On a much more modest and realisable scale another casualty has been brought low by disappointing rewards on the world market. After expressing keen interest for two years Shell Coal International decided to abandon the joint venture to build the Jinning II underground mine in Shandong province.

Shell had a lot going for it in Jinning. The coal quality was excellent with low sulphur and high heat content, and a short, existing rail link to the deep water port of Shijiuso. But the goelogy of the mine worried Shell's coal affiliate which wanted as trouble-free an introduction to the Chinese coal industry as possible. While Shell is still expressing an interest in participating elsewhere in the expanding industry, the Shandong province says it will go ahead with Jinning on its own.

This cooling of the ardour for foreign participation in the industry is, however, only relative, with many major coal producing companies either involved or anxious to be involved with the industry's rapid expansion, if the terms are right. By far the biggest national effort is coming from Japan which has committed US$2.8bn for the development of nine Chinese mines with a combined 40m tonnes annual capacity.

The World Bank, too, is proving a major source of finance and will be lending US$126m in its first project, the 4.5m tonne a year Chancun mine in Shanxi. And, while it is willing to back a project of this kind every year, the bank is keen to explore other ways of development.

This has strengthened the view in China that the way ahead is not just through major greenfield schemes but, for the rest of this century, by backing expansion of existing mines and by raising productivity.

The coal ministry is upgrading 77 of its major mines in the current Five Year Plan (FYP). By 1990, according to the dictates of the plan, 91 per cent of mines in major coal producing areas will be mechanised for coal cutting, helping to bring national productivity to two tonnes a manshift. Of all the aspirations for the industry this is probably the most unrealistic: it was only in June this year that national productivity exceeded one tonne a manshift.

But if productivity is low, so too are mining costs. A recent World Bank report, China, the Energy Sector, calculated long-run marginal costs in the industry at US$9.7-US$11.8 a tonne, a rate which is not expected to rise much this century. This contrasts with South Africa—on international markets reckoned to be the lowest cost producer—which will have marginal costs of twice this level by 2000 according to International Energy Agency estimates.

It is this low cost factor that will make China such a strong competitor if it ever chooses to enter the international coal market. Until now its efforts have been paltry, rarely more than 1 per cent of production. But this spring all this changed when a target of 20m tonnes a year was announced for 1990, double 1986 expectations.

The main market will be South East Asia since China's ports are only equipped to handle small ships which are uneconomical over long distances. Qinhuangdao, for example, can handle no more than 50,000 dwt vessels.

The region is likely to become an increasingly competitive market, with Indonesia planning to start exporting and South Africa certain to increase its efforts if it is barred from the European market.

However, China's record in achieving its self-set target and its low production costs mean that if China's coal industry planners start to focus their attention for the first time beyond their country's needs, competitors will find very difficult indeed.

Gerard McCloskey

**Coal production and exports**

(Million tonnes)

| Year | Production | Exports |
|---|---|---|
| 1980 | 620 | 6.3 |
| 1981 | 621 | 6.6 |
| 1982 | 666 | 6.4 |
| 1983 | 715 | 6.6 |
| 1984 | 775 | 7.0 |
| 1985 | 847 | 7.6 |
| 1986* | 870 | 9.0 |
| 1990* | 1,000 | 20.0 |
| 2000* | 1,200-1,400 | n/a |

*Forecast

Source: China National Coal Import and Export Corporation

Iron Ore

# Import growth likely to decrease

THE METALS import/export officials at the Wuhan iron and steel plant, China's second largest, have hosted an increasing number of Brazilian delegations in the past year or so, with the guests offering cut price iron ore in an attempt to win market share away from long-time Australian suppliers.

While the Wuhan officials are tempted, they are yet to purchase ore from Brazil and, for the time being, intend to go on buying about 2.5m tonnes annually of Australian ore to bring its raw materials-mix up to standard.

Last year, the country imported about 10.05m tonnes of ore, up from about 6m tonnes in 1985. China is fortunate to have large iron ore reserves—estimated at 46.5bn tonnes—but is unfortunately hindered by the poor quality of the ore, which has an iron ore content well below the 62.7 per cent needed to make products of reasonable quality.

Just under 2.5 per cent of the total resources are suitable for direct processing while reserves containing 35 to 50 per cent ore content make up about 5 per cent of total deposits, and about 92.5 per cent contains less than 34 per cent iron.

The problem is complicated by a chronic shortage of energy that hampers the country's ability to refine its own reserves in the manner used by most developed countries, so diplomats are convinced that China will need to import increasing amounts of ore in coming years.

Figures for the first quarter of this year suggest that import growth is likely to be much lower than that of last year, as the Chinese Government has apparently been more sparing in its purchases in a bid to reduce a US$14.7bn trade deficit in 1985.

According tc the Ministry of Customs, imports for the first three months amounted to 1.97m tonnes, while Australian figures show an 18 per cent fall in the dollar value of unworked iron and steel exports in the first five months compared with the same period last year.

To counter the long-term problems of inadequate supplies, China's Ministry of Metallurgical Industry has been negotiating for the past two years with CRA, the Australian metals mining company, on the possibility of taking a stake in an iron ore mine at Mt Channar in Western Australia.

The Australian Prime Minister, Mr Bob Hawke, has taken a high profile in promoting the project and invested much of his personal prestige, yet contracts remain unsigned and there is no indication of an imminent signing.

Mr Hawke's vision was to hitch the Australian iron and steel industry to China's burgeoning steel needs but the fall in world commodity prices has derailed those plans, and delayed the necessity for China to sign long-term contracts.

A second major project, possible Chinese involvement in the reopening of a BHP blast furnace at Kwinana in Western Australia, has faltered as the two sides debate the price of pig iron produced. The Australian ambassador to Peking, Dr Ross Garnaut, said historically low prices are "well below levels necessary to sustain new investment on new facilities anywhere in the world," but do not rule out the possibility of a Kwinana reopening.

Dr Garnaut, formerly the senior economic adviser to Mr Hawke, said that the "natural economics" of China's iron and steel industry "point to the concentration of investment in final stage processing, accompanied by expanded imports of some raw materials and intermediate products."

Meanwhile, the China International Trust and Investment Corporation (CITIC) has been investigating the possibility of taking a stake in a Brazilian mine and pig iron facility. Citic has already shown its willingness to invest in resource projects abroad by taking a 10 per cent stake in an aluminium smelter this year in Victoria state.

The giant Baoshan iron and steel plant in Shanghai opened in September last year will consume increasing amounts of ore imports with its expected first stage output of 3m tonnes of iron, 3.1m tonnes of steel, 500,000 tonnes of seamless steel tube, and 2.12m tonnes of steel billets.

While the Australian Government had hoped to provide about half of the imported ore, the country's sales are running at about 40 per cent, with Brazil taking about a 45 per cent share and India selling most of the remainder. Baoshan officials have complained that the sulphur content of the Australian ore is too high.

Both the Brazilians and Australians are watching with interest the jockeying by various Chinese provinces to gain final approval for the next large iron and steel complex. Ningbo, south of Shanghai, appears to be the front runner, with Sir Y. K. Pao, the Hong Kong shipping magnate, lobbying strongly on behalf of his home town.

A pre-feasibility study for the US$4bn plant has been approved in principle by China's State Council, which has apparently also given the nod to an unusual proposal for the plant to sell some of its output to Chinese customers for foreign exchange to help pay for the cost of imported equipment.

A consortium of British and West German companies, including Davy McKee, Northern Engineering Industries and Ferrostahl, has apparently been organised by Sir Y. K. Pao to equip the plant, and the Hong Kong businessman has indicated that he hopes some kind of signing ceremony for the project will take place when the Queen visits China in mid-October.

Observers consider that China will need to build at least two more large plants if it is to reach the ambitious goal of producing 95m tonnes of steel in the year 2000, a goal that would require ore output of about 255m tonnes.

At present Peking is giving priority to overhauling older plants, particularly Anshan, the largest in the country, and Wuhan. The Anshan facility in northern China is expected to produce 8m tonnes of steel in 1990, about 14 per cent of the planned national output.

Both the Wuhan and Baoshan plants have been severely handicapped by the energy and communications deficiencies that have restricted Chinese industry as a whole. Wuhan has long been unable to use fully equipment imported from West Germany and Japan, as the central Chinese city has been plagued by power shortages.

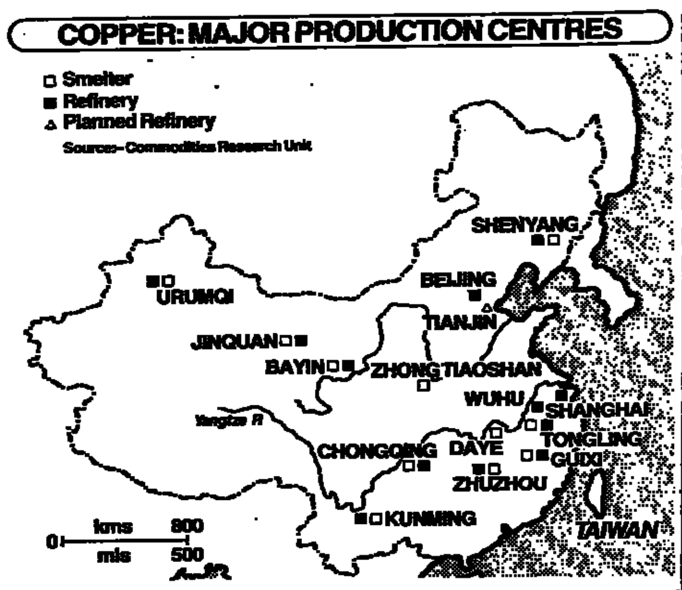
The Baoshan plant has been an exercise in mismanagement. Equipment purchased for the plant was found to be unsuitable for Chinese ore, while the port developed to take ore shipments is unable to handle bulk carriers, which have to unload their cargo at Ningbo.

The country, which follows the Soviet Union, Japan and the US in iron and steel production, is also attempting to expand mining operations that have been made difficult by the awkward location of reserves. Iron ore output last year was just over 130m tonnes, up from 110m tonnes in 1980.

About 6bn tonnes of known reserves are located in areas unsuitable because of adverse hydrological conditions or communications problems, while about another 6bn tonnes of verified reserves are in virgin areas.

**Robert Thomson**

COPPER: MAJOR PRODUCTION CENTRES




# Consumption still at low level

TONGLING, 300 miles inland from Shanghai, along the Yangtse River, is the largest copper production complex in China with two smelters and six mines. However, expansion of the newer smelter and development of a huge underground ore-body have been deferred for lack of investment capital.

Instead the only investment that will definitely be made at Tongling in the next year is an extension of a concentrate storage building which holds a large proportion of imported material.

Investment delays and increasing reliance on imported raw materials are central themes in China's copper industry today. In the past five years China has become a major importer of refined copper and copper concentrates.

Although plant manufacturers have found a good market in China for continuous cast rod plants, earlier hopes of substantial sales of smelting and refining plants have not been fully realised.

China publishes no official statistics on the production of copper or any other non-ferrous metals but estimates, based on an increasing number of visits by Westerners to China's mines and smelters, now suggest that mine output totals about 200,000 tonnes per year of copper. This is supplemented by imported blister (unrefined) copper and concentrates, and a small amount of secondary recovery, so that output of refined copper totals approximately 300,000 tonnes per year.

Imports of refined copper have varied considerably from year to year and may have been as high as 160,000 tonnes in 1985, which implies that China's consumption of copper is of the order of 450,000 tonnes a year.

This puts China in fifth place among the copper-consuming nations of the world. In relation to the size of its population, however, the consumption of copper in China is minute. Consumption per head of population is less than half a kilogram per year, compared with 11.5 kg in neighbouring Japan and 4.25 kg in the rapidly industrialising South Korea.

With a population of over one billion people, even a small move could make China one of the very largest national markets for copper.

However, as in all developing nations, the limitation on growth is not potential demand but financial and technical resources. In the late 1970s a number of new projects were announced in the non-ferrous metals industries many of which were subsequently cancelled. A shortage of foreign exchange currently restricts the development of the capital-intensive sectors of the Chinese economy and within these sectors the available foreign exchange is now carefully allocated.

In the 1986-90 five-year plan, copper ranks third among the non-ferrous metals behind aluminium and zinc for the allocation of investment in new capacity. China's reserves of copper are by no means fully explored but the known deposits tend to be small in scale or low in grade by world standards. Proving up new deposits is not only expensive but can also be very slow. Even then, development may be long delayed by the lack of transport facilities, power supplies and communications.

For this reason, and because most of the country's smelters are old and have been expanded piecemeal over many years, such investment as the copper industry will receive in the next five years is likely to be directed at improving and increasing smelting and refining capacity, rather than developing any major new mines.

Evidence of this policy is the new smelter at Guixi, in Jiangxi province, which started production early in 1986. This smelter is in an area of copper mine production, but another new smelter, currently at the planning stage, will be located at the port of Tianjin, to the east of Beijing.

The Tianjin smelter is expected to rely heavily upon imported concentrates and would considerably increase the disparity between domestic copper mine capacity and smelting capacity.

Several of China's smelters have come to use increasing proportions of imported raw materials in recent years. Imports of concentrates in 1985 are estimated at about 95,000 tonnes of copper content. Within three years, this figure may increase by 50 per cent.

China is considering the possibility of investing in an overseas copper mine to secure long-term supplies of concentrates.

In the south-east region of China, the 90,000 tonnes/year Guixi smelter is being fed partly with imported concentrates and partly with domestic material diverted from other smelters. The largest nearby mine, at Dexing, produces only 10-15,000 tonnes/year of copper; a major expansion of this mine was one of many capital projects abandoned in the early 1980s.

Even the copper smelter at Kunming, in the Yunnan province, now finds itself short of domestically produced concentrates. Imports have to travel 1,700 km by rail from the port of Zhanjiang.

The Yunnan smelter at Kunming, built in the late 1950s, was originally intended to produce 120,000 tonnes/year of copper, but only half of that capacity was installed. A huge unused area of the smelter building is now being utilised to house a continuous cast rod plant, which should start production in 1987.

At least 12 new continuous cast rod plants, with a combined capacity of perhaps 400,000 tonnes/year are due to be in operation within the next two years. Existing older hot-rolled rod mills which are estimated to produce about 200,000 tonnes/year of rod.

New rod mills can scarcely hope to operate at more than half their rated capacity, so the prospects for further sales of rod plants must be small.

Nevertheless, demand for wire and cable products will remain strong in power distribution (where aluminium is also used); in telecommunications and in industrial and domestic wiring.

China's copper industry will therefore require not only considerable quantities of imported concentrates and refined copper but also western technology in the fabrication and application of copper. If the copper industries of the Western world fail to supply this need, they will fail to capitalise on the last great undeveloped market for copper in the world.

**Christopher Stobart**

Joint Ventures

# Emphasis placed on earning export income

EVEN THOUGH foreign investment has turned sluggish in China, the Chinese Government has shown restrained enthusiasm for metal and mineral ventures on its own soil, though it continues to look abroad for projects that will fill gaps in domestic supplies.

The Government is likely to introduce new investment regualtions soon in an attempt to lift investment, with the emphasis on offering foreign companies a reduction on costs and removal of some of the stifling Chinese bureaucracy, according to diplomats based in Peking, who say that senior leaders have begun to appreciate the seriousness of the downturn.

But there is no guarantee that the Government will be much more willing to outlay scarce foreign exchange for ventures in the metals and minerals sector. Priority is being given in the communications, as problems in both areas seriously hinder the modernisation drive.

Foreign investment in China fell 20 per cent to US$1.24bn in the first half of this year, and the paramount leader, Deng Xiaoping, has said since that the country must provide the opportunity for foreign investors to make money.

Investors have long complained about the rampant overpricing by provincial officials and high wages for low-skill staff. Also, investors are concerned by the difficulties in repatriating hard currency profits and the Chinese obsession with balancing foreign exchange accounts of joint ventures.

Part of the Chinese reluctance to commit themselves to joint ventures in metals and minerals is the confidence of some officials that China is already skilled in winning resources, though most concede that their technology is backward. (China, however, is exporting coal mining equipment.)

One Hong Kong businessman seeking a precious metal joint venture was told that China doesn't need any assistance but would be interested in looking with him for a suitable venture abroad.

Chinese officials generally say that they are very keen on joint ventures, but particular departments are hindered by their relatively low rank in the list of key projects. The China National Non-ferrous Metals Industrial Corporation late last year presented a list of 18 potential projects to Japanese investors, with eight of them joint ventures and ten of them involving technology transfer.

The Chinese admit they are unskilled in, for example, offshore oil exploration in which the Chinese are relying on the skill of foreign companies to find and exploit reserves. However, foreign enthusiasm for China's offshore oil reserves has waned with the slump in offshore prices, and oil company representatives suggest that several companies have made small to medium finds in the South China Sea, but are willing to develop the reserves in the present climate.

Construction of China's largest energy joint venture, the Pingshuo Antaibao open-cut coal mine in the northern province of Shanxi is apparently progressing well, with production due to begin formally in about September 1987.

Occidental Petroleum Corporation, originally expected to have about a half share, has a 25 per cent stake in the US$650m project, with the majority shareholding being held by the China National Coal Development Corporation, the China International Trust and Investment Corporation (CITIC), and the China Trust and Consultancy Company.

The site has an estimated coal reserve of about 500m tonnes, within a contact area of 18.5 square kilometres, about 500 km south-west of Peking. Initial annual production is expected to be 15.33m metric tonnes, which is about 70 per cent of the present total output of Chinese open-cut mines. At full capacity, output is expected to reach 45m tonnes annually.

The Occidental Joint Venture highlights the difficulties that need to be overcome in reaching an agreement in China on major projects. Negotiations began in 1980 and took the best part of five years to complete, with one of the more difficult problems being the wages of Chinese staff.

Deng Xiaoping, China's paramount leader, wants the country to provide the opportunity for foreign investors to make money

Initially, the two sides had agreed on an hourly wage of US$12 for Chinese miners, but a fall in the price of coal prompted Occidental to ask Joint Ventures that wages be tied to how much a miner produced. As with all Joint Ventures the miner would have received only a fraction of the US$12, with the bulk going to the Government. (In some cases, joint venture staff are paid up to ten times what they actually take home.)

The project received China's approval because of its ability to earn foreign exchange through exports, with China handling the marketing of the coal, and, as it was explained by Mr Armed Hammer, chairman of Occidental, the country will keep the foreign exchange flow up by exporting a greater proportion of production if coal prices fall.

Occidental is fortunate that the transport problems that plague many joint ventures have been eased by the construction of a rail line from Shanxito, the northern port of Qinghuandao in Hebei province. Doubt has been raised over the venture during the negotiations when foreign banks proposing to finance the project were unsure of the validity of Chinese guarantees. Foreign business people have complained that they are uncertain of what authority Chinese ministries and major enterprises have in raising finance.

Another project to receive Chinese approval is a venture to mine, process and market marble jointly from China's Shanxi province. Denver-based Crossland Industries has an agreement with the Government-run Shanxiqinbao International Company to invest US$150m with the ambitious aim of producing marble worth US$150m in the first stage rising to US$350m at full capacity.

A group of Japanese companies are understood to be on the verge of final agreement to develop uranium resources in China. Some 30 Japanese companies have just completed a two year study and have initial agreement for a joint venture to mine uranium at Qinglong in Hebei province.

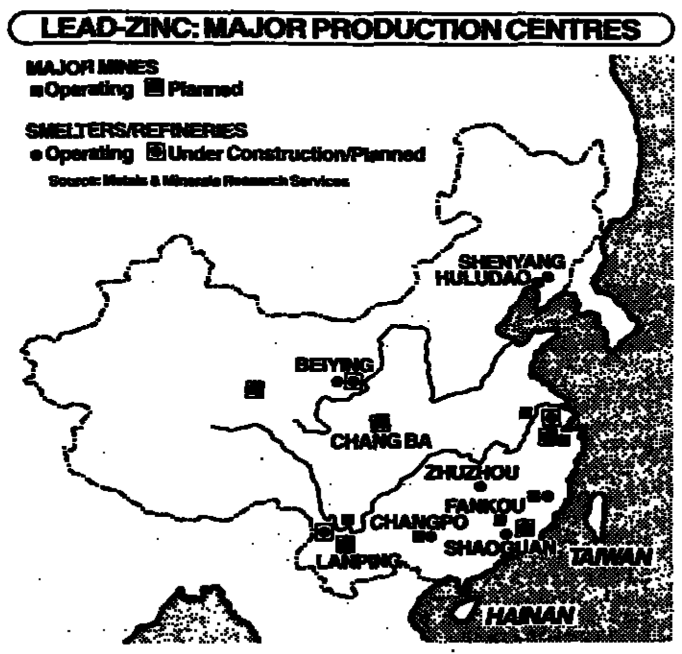
Chinese officials apparently approached the Japanese Government in mid-1984 with a series of proposals for joint mining, though some Japanese companies had shown interest as early as 1980. A broad nuclear co-operation agreement was signed by the two countries in July last year.

The project shows that the Chinese Government has a list of priorities for joint venture, with particular emphasis given to their ability to earn export income. China had a bilateral trade deficit with Japan of about US$7bn last year, and Chinese officials are known to be keen to export anything that would reduce the deficit.

Meanwhile, China continues to contemplate investments abroad, having finalised agreement several weeks ago to take a 10 per cent stake in an aluminium smelter in the Australian state of Victoria. Chinese officials are known to be looking for suitable investments in copper, iron ore and pig iron.

**Robert Thomson**

LEAD-ZINC: MAJOR PRODUCTION CENTRES




Lead/Zinc

# High priority given to sector

FANKOU, Guandong province, is unmistakably a mining town. The concrete towers at the head of the mine shaft are visible from almost every corner. An aerial cable-way crosses over streets, houses, gardens and a duckpond as it carries buckets of ore from the minehead to the processing plant.

Some 40 kilometres away is the city of Shaoguan, where lead and zinc concentrates from Fankou are taken for smelting into metal. Wisps of smoke rise above the plant during the day; at night the furnaces glow.

Fankou and Shaoguan are the pride of China's lead and zinc industry. The mine is the largest in China, producing over 60,000 tonnes of zinc a year and nearly 30,000 tonnes of lead. Most of it is smelted at Shoguan, which has an annual output of 40,000 tonnes of zinc and 20,000 tonnes of lead.

Under the 1986-90 five-year plan, both Fankou and Shaoguan are being expanded to help try to close the expensive gap between China's zinc production and consumption, which has to be filled by imports.

At the mine, output is being raised by 50 per cent in a 300m yuan (US$81m) investment scheme, which involves increasing mechanisation underground, bringing in more motorised drills and ore transporters.

The Shaoguan smelter is spending 50m yuan ($13.5m), increasing capacity by 15,000 tonnes of lead and zinc by the end of 1987 by installing a larger acid treatment plant. There are plans for a further 25,000-tonne expansion by 1990 and tentative proposals for a new smelter on the site which would take total capacity to 180,000 tonnes.

The investments are typical of the piecemeal modernisation of industry which has a high priority in China under the five-year plan.

China's planners have given the lead and zinc industry a priority second only to aluminium among non-ferrous metals. The reason is the country's growing demand for zinc for galvanising steel and for alloys. China last year imported 269,000 tonnes of zinc, 17 per cent more than in 1984.

China is cutting back sharply on this to save foreign exchange—for the first five months imports were 77,000 tonnes, or 42 per cent down on the same period in 1985. Officials at the China National Non-Ferrous Metals Import and Export Corporation, however, expect the country to be still importing zinc in 1990.

China publishes no official production figures. But Mr Pan Chang Ben, chief engineer at the Shaoguan smelter, says that national output of lead and zinc last year totalled 560,000 tonnes, two-thirds of which was zinc. This implies zinc production was 370,000 tonnes and lead 190,000 tonnes.

The figures for zinc is higher than most Western estimates—which put output at 250,000 to 300,000 tonnes. Mr Pan's figure for lead is in line with most foreign estimates.

Mr Pan says that the target was to raise output of the two metals to 750,000 tonnes a year by 1990, a 40 per cent increase on last year.

The biggest contribution to this planned expansion is likely to come from the development of a new surface mine at Changba, in Gansu province, in the north west of China, which is expected to come into production before 1990 and will eventually be larger than Fankou.

Nearby at Beiying, a 50,000 tonnes-a-year lead smelter is under construction with help from Lurgi, the West German engineering company, two Japanese companies—Mitsui and Teho Zinc, have won equipment contracts for a 100,000 tonnes-a-year zinc smelter.

Apart from Fankou and Shaoguan, existing plants are being up-graded—China's largest electrolytic zinc refinery at Zhuzhou, Hunan, is being expanded from a capacity of 100,000 tonnes a year to 135,000 tonnes, with the help of imported equipment. At Huludao, Liaoning, Mitsui is installing a new zinc smelter to replace one which dates back more than 30 years.

Chinese engineers are also paying more attention to improving the industry's performance by cutting the relatively high energy consumption of many smelters. Mr Pan says that while the Shaoguan smelter compares favourably with smelters in the industrialised world, consuming 2.1 tonnes of standard coal (a measure of energy) per tonne of zinc produced, some other Chinese smelters consumed 3-4 tonnes of standard coal. "It is important to reduce this in our country," he says.

Looking beyond 1990, the industry is concerned about developing new deposits to replace mines where reserves are slowly running out. Fankou ore is already being transported from Guandong in the south to smelters in the Liaoning in the north east of China because of falling mine output there.

The most ambitious plan now before the China National Non-Ferrous Metals Industry Corporation is a proposal to build a lead and zinc industrial centre, including a mine, concentrators and smelter at Lanping, Yunnan, in the remote mountains near the Burmese border.

Mr Huang Chongke, an associate chief geologist at the Ministry of Geology and Mineral Resources, says that the Lanping deposit is one of the best in China with 14m tonnes of ore containing 10 per cent lead and zinc. However, Lanping lies some 300 miles from the nearest railway.

At Shaoguan, Mr Pan says: "The first thing at Lanping is to build a railway to the deposit before we can do anything else. . . I think we could develop it under the Eighth (1991-95) five-year plan."

**Stefan Wagstyl**

## Profile: Huangshi

# Copper mining remains vital

It can be hard to imagine what Huangshi, an industrial city of 1.2m people in the extreme east of Hubei province, might have looked like when it was under the jurisdiction of the State of Chu almost 3,000 years ago.

Certainly the swarming population, and the functional red brick buildings, would not have been part of the landscape. But what would have been there — and these are two factors that give the city a rare sense of continuity stretching back through three millenia — are the Yangtse river, and a thriving copper mining industry.

Today the area around Huangshi is acknowledged to have about one-fifth of China's total copper reserves — second only to Guixi in Jiangxi province.

The red dust from the open-cast mines on the city's outskirts seems to coat everyone's boots. With one of China's four largest iron mines, producing 5.m tonnes of ore a year, and a wealth of rare metals and minerals and zinc (among them aluminium, molybdenum, nickel, manganese and zinc as well as coal, limestone and gypsum) it has developed rapidly to become one of the most important mining areas in China.

It is for this reason that the Daye steel plant, first operated in 1890, and still a leading national producer of special steels, is on the outskirts of the city.

What was only recently realised was that Huangshi was also the cradle of copper smelting in China, and perhaps in the world. It was probably the unusual green stones and the rare blue flowers that first altered peasants in the state of Chu that copper was present at Tonglushan — which literally means "green copper mountain" — just south of Huangshi.

Ancient mines recently unearthed show that copper was being mined at Tonglushan more than 2,700 years ago. Vertical shafts more than 100 feet deep have been found, along with 25 smelting furnaces and about 80,000 tonnes of very old slag.

Archaeologists estimate that 80,000 tonnes of copper ore were extracted before the mines were abandoned, perhaps because of flooding.

Ore mined in the area today contains between 12 and 20 per cent of copper, and is associated with up to 30 per cent of iron. But with nearby iron mines yielding up to 60 per cent of iron from ore, it was never the associated iron that excited China's early emperors — or for that matter the invading Japanese army in the 1930s.

It is a matter of pride among Chinese and Huangshi today that while the occupying Japanese army succeeded in getting iron ore back to Japan to aid their war effort, they were always frustrated by resistance fighters in their efforts to export copper.

Today's mining operations are a far cry from the days of the state of Chu, where miners crawled underground equipped with simple metal and wooden implements. For that matter, thy are modern even by 20th century Chinese standards, since much mining across China is still a pick, shovel and wheelbarrow affair.

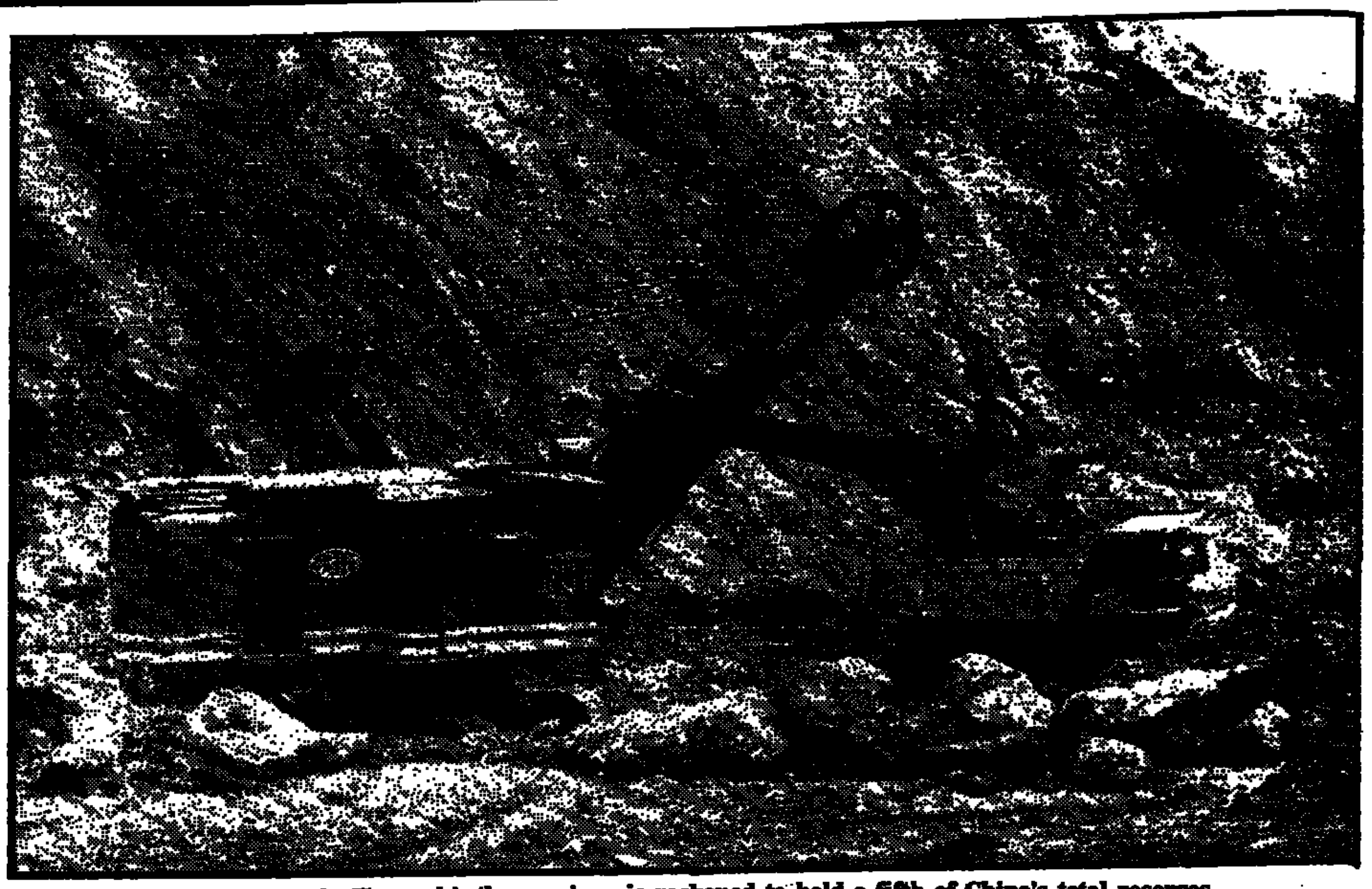
Most copper is clawed from the mountainside by giant caterpillar-tracked cranes. Operations appear efficient even by international standards. Continuous lines of lorries carrying the red ore rumble up the quarry slopes, and crowd roads serving the mining areas.

In a country where many labourers appear to spend more of their time resting on their shovels than using them, the unrelenting hum of the mine sites is striking.

Only a little refining is done locally. Most ore is carried by rail or by river to large refineries in more secure parts of the country (the memories of Japanese wartime bombardments have yet to fade).

The products emerging from the refineries today may have little to do with ornate bronze bells and wine coolers that were so much the craze among the princes of Chu, but they remain important enough in the Chinese economy to make Huangshi one of the country's most critical mining areas.

**David Dodwell**



Copper mine in Huangshi: the province is reckoned to hold a fifth of China's total reserves.

## Profile: Hainan Island

# Treasure of rare deposits

GIVE A villager on the east coast of China's Hainan Island a fist full of local sand, and in seconds he will point out the titanium, zirconium, and monazite.

These may be rare and exotic in most parts of the world, but for people living close to the black sand beaches that dot 300 km of Hainan's eastern coast, they mean dollars and cents—or in their case, renminbi yuan.

The sands contain one of China's largest known reserves of titanium (distinctive because grains of titanium are black and very heavy), zirconium (red grains) and monazite (rich yellow grains), an important source of rare earths.

Living up to its reputation as China's "Treasure Island," this sub-tropical backwater off the country's southern coast—also one of Asia's richest sources of iron ore—the Silu mine in the west of the island produces 4.6m tonnes of ore a year from seams that are estimated to hold about 240m tonnes, with iron amounting to between 52 to 68 per cent of the ore.

The deposits were discovered just 50 years ago by Japan's occupation army, and have been an important source of iron in China ever since.

Close to Silu, deposits of at least 13,000 tonnes of cobalt have recently been discovered, which are expected to produce about 500 tonnes of metal a year beyond the end of the century. The ore contains 3.2 parts per thousand of pure cobalt, according to Xi Xiaoling of Hainan's Metallurgical bureau.

While Hainan is clearly a rich source of important rare metals in China, very little processing takes place locally, and resources have been slow in being tapped. Partly to blame is the fact that for centuries, the island was little more than a place of exile for mandarins who had aroused an emporer's displeasure.

More recently, Peking's fear of foreign invasion (Vietnam is a matter of miles away) has kept the island firmly in the grip of the country's military, greatly inhibiting normal economic development.

The metallurgical bureau in Hainan operates four concentrators exploiting the rare minerals in the black sands of the east coast. Villagers wash about 100,000 tonnes of sand a year. By the time it reaches the bureau's plants, the sand is usually 35 per cent titanium. After further processing to about 55 per cent, the bureau sells to companies on the mainland between 30,000 and 40,000 tonnes of material a year.

The rarer zirconium is found in proportions of about one part per 10,000. After processing to about 65 per cent zirconium-content the bureau sells about 3,000 tonnes a year to the mainland. Monazite ore—an important source of rare earths—is produced in similar quantities.

The recent discovery off Hainan's south coast of about 90bn metres of natural gas has fuelled hopes that the island can develop its own downstream industries to bring it more of the economic benefits associated with exploitation of its mineral wealth.

Plans for a sponge iron plant, and a petrochemical complex near Silu are already well advanced. At the same time, foreign partners are being sought for a RMB 240m Yuan plant making titanium dioxide which is most commonly used in making white paint. A glass plant exploiting Hainan's high quality sand is also being considered.

The island seems destined to play a more important part in China's modernisation drive than might ever have been considered possible—which will be small comfort to the many who died in exile in the island in centuries past, but is a welcome boost to Hainan's impoverished islanders.

**David Dodwell**



## Non-metallic minerals

# Big effort to raise earnings

CHINA IS trying to raise more foreign exchange from its non-metallic minerals industry by increasing the level of processing work to raise the value of its products.

Under the 1986-90 Five Year Plan, China proposes to double earnings from non-metallic minerals exports which last year totalled more than $200m (£134.7m).

China Daily, an English-language newspaper, recently reported that China was doubling investment in non-metallic minerals, allocating about 500m renminbi Yuan (£91.97m) to the industry during the 1986-90 Five Year Plan — twice as much as was invested in the previous five years.

China is one of the world's leading exporters of a range of minerals including magnesite, calcined bauxite, and graphite, which are used as refractory materials in steelmaking, talc, bentonite and barite. Deposits can be found in various parts of China, but the most highly developed mines are in coastal provinces which have close links with export ports.

However, the industry faces difficult times overseas because many of the markets to which these minerals are supplied are severely depressed. The worst case is possibly barite, which China sells to oil companies for use in drilling muds.

After the slump in oil prices, exports plummeted from 946,976 tonnes, or an average of 237,000 tonnes a quarter, last year to 153,408 tonnes in the first quarter of 1986, according to Chinese customs statistics.

However, efforts to increase the value of minerals by increasing processing could help counter the impact of downward swings in commodity prices by taking China into more specialised markets.

For example, at Nanshu graphite mine, Shandong province, a $350,000 Japanese-built plant has been installed to produce 100 tonnes a year of ultra-fine graphite powder for use in coating television screens. The value of this powder is many times that of the coarse-grained material used to make furnace bricks.

Mr Wang Kun Zheng, deputy general manager of the Shandong branch of the China National Metals and Minerals Import and Export Corporation, which handles Nanshu's exports, says: "We want to do more processing. It is the way forward for our industry. It is worth doing even though the competition is tough."

The Shandong deposit is the first or second largest in the world, according to mine managers at Nanshu. China's graphite production totals about 100,000 tonnes a year, of which some 60,000 tonnes a year is exported.

In magnesite, China is building a 100m renminbi Yuan (£18.04m) high-purity factory at its largest mine at Haicheng, Liaoning province. This will produce 50,000 tonnes of high-grade material a year, a great increase on current national high-grade output of just 10,000 tonnes a year.

Three further plants are planned at Haicheng and nearby mines with a combined production of 110,000 tonnes a year. China's total magnesite output is over 1m tonnes, most of it from Liaoning, and more than half of this is exported. However, sales of low-grade material have been suffering from the recession in steelmaking in many countries.

At Haicheng talc mine, meanwhile, management has installed an Italian-made grinding plant for producing ultra-fine talc for use in making plastics. The mine is now negotiating with Pfizer, a US company, over a joint venture to instal a 100,000-tonne a year flotation plant to produce fine material for coatings. China last year produced 1.02m tonnes of talc, of which 521,000 tonnes were exported.

China has so far concentrated on Japan and other Asian markets for its non-metallic exports, mainly because the shipping costs for these minerals can be prohibitive since they are low in value value in relation to their weight. A tonne of talc, which is worth about $140 a tonne on the word market, costs between $20 and $25 to ship from China to Europe. But Chinese officials hope that they will succeed in exporting higher added-value products to Europe and the US.

**Stefan Wagstyl**

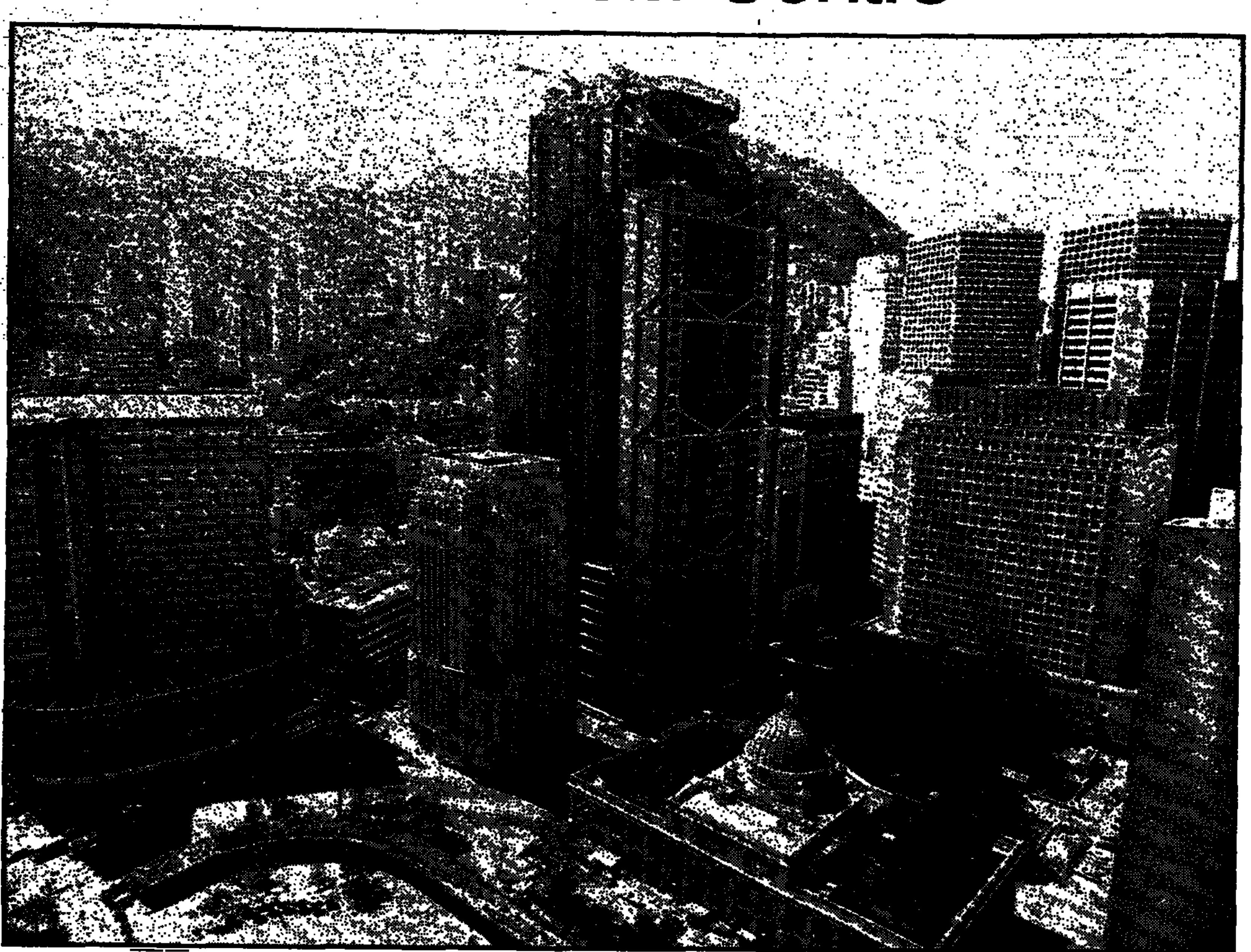


SECTION IV

# FINANCIAL TIMES SURVEY

# HONG KONG

## As a Financial Centre



The towering headquarters of the Hongkong and Shanghai Banking Corporation dominates the central district on Hong Kong Island

**Will the territory still be a booming international finance centre in 1997 when the Chinese army are posted there, instead of British troops and Gurkhas? To some extent, the answer will depend on boardrooms far away in Europe and the United States.**

By ALEXANDER NICOLL

THOUGH CHINESE sovereignty does not come until 1997, the debate is going on now.

While committees thrash out the essence of Hong Kong's new Basic Law, top officials, bankers and businessmen are looking closely at the role the territory's financial services industry will play when the flag changes.

To many, it appears that financial and other services provide the key to the future, supplying the expertise that China lacks, perhaps establishing Hong Kong in relationship to Peking as New York is to Washington.

But to others, manufacturing industry is the foundation of the territory's success, and there is no future unless it remains flourishing.

For a city of such fragile stability, of rapidly shifting moods, it would be foolish to draw firm conclusions. For the present, confidence is quite strong at the surface: property prices have been rising, the stock market has been going up, the Hong Kong dollar's peg to the US dollar represses memories of the frenzy when it was in free fall and even the largest companies were shovelling money offshore.

Underlying the buoyancy of the markets, the visible and growing affluence, important improvements have been made to the financial markets' structure.

The new unified Stock Exchange, due to be formally inaugurated in a few days' time, has been working well since its systems took over the business of four local exchanges earlier this year. The domestic capital markets are continuing to grow after an explosion of business over the past two years. The new financial futures market is very promising. Meanwhile foreign banks, stockbrokers and corporations continue to set up in Hong Kong.

But it is impossible not to wonder whether it is all a charade. Are not many young professionals busy establishing rights to passports elsewhere, and the older and wealthier buying second homes in Canada?

Are not many local businessmen discreetly seeking brokers' advice on investing their savings abroad? Could not foreign banks and businesses break camp and move on just as easily as they arrived?

Though the answer to these questions is: "To a large extent, yes," there are always counter-arguments. The reported trend now, for example, is that people are returning to Hong Kong after establishing their rights of abode elsewhere. This, in a city of one-time refugees, is nothing more than prudence, it is argued.

Perhaps the greatest question — and one which will not be answerable for a long time — is whether China will really be able to tolerate having 6m people living within its sovereignty with a life-style so markedly different from that of the rest of the country. For the present, its words and actions suggest full commitment to developing Hong Kong as a financial services centre.

The relationship of the local economy with that of China will clearly be crucial. It has traditionally been, as Mr Piers Jacobs, the new financial secretary, says, of mutual benefit. He traces a "symbiotic relationship" and says that it "will continue to be of increasing significance in the years ahead."

Hong Kong, he notes, has re-emerged as an entrepot port for China, which is both the largest market and the largest source for goods re-exported from Hong Kong.

Domestic exports to the mainland have also grown, although China's recent clampdown on foreign exchange expenditure has at least temporarily reversed that trend. China, meanwhile, earns about a quarter of its foreign exchange by selling goods, including foodstuffs and other essentials, to Hong Kong.

While Hong Kong retains its own currency, as was guaranteed in the Joint Declaration by Britain and China on 1997, there are clear advantages to China in maintaining this relationship. It also goes much further.

Not only is there substantial investment by Hong Kong business in China, but there is considerable investment at present by China in Hong Kong. The Bank of China and its dozen sister banks, soon to be run from a building which will symbolise their challenge to the dominance of the Hongkong and Shanghai Banking Corporation, have embarked on a highly competitive push for market share.

Chinese banks have been aggressive in lending to Hong Kong projects, and have been involved in the rescue and takeover of some of the territory's failing banks.

Chinese entities are also active players in Hong Kong's domestic capital markets, even though many of the deals they have mandated have been on such fine terms that banks agree to go into them purely to cement relationships with China. More recently, however there have been signs that Chinese borrowers are prepared to abandon these "relationship" deals in favour of pricing on market terms.

Bankers familiar with China are impressed by officials' growing grasp of foreign financial markets, despite the inevitable bureaucracy which still besets them. Though some take this as a positive sign for Hong

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● Pictures by Glyn Genin and Roger Taylor

Dealers on the market floor of the new Exchange

## The unified Stock Exchange

# Areas of contention defused

AS THE Hang Seng index attempts to secure a first-time hold on the 2,000 level, in commemoration of the official opening this month of the unified Stock Exchange of Hong Kong, cynics have been suggesting that 1997 was a more auspicious landmark. At the same time there are hundreds of other four-figure numbers with a significance of their own on the market floor, which has been in operation since April 2.

They appear in gold on the red sleeveless jackets worn by the floor traders, and in green on the screens of the new automated dealing system, the only one of its kind in the world. The numbers identify each broking firm, and bargains are made by telephone between those who enter themselves on the buy or sell side of the screen at the prevailing price.

General satisfaction with the way the system has operated over its first six months is expressed in fairly equal measure by the exchange authorities themselves, by the larger local brokers which were among those worried by its impact, by the watchdog Securities Commission, and by the big overseas broking houses — mainly British — which had already risen to a dominant position in institutional business.

The casualties, as expected, have been found among the smaller local firms, often one-man shows and part-time at that. Even towards this end of the scale, however, some are ensuring a future by forging new alliances or carving a specialist niche. Meanwhile two areas of possible contention from the outset have been defused, if only by dint of Hong Kong's capacity for willing acceptance of the inevitable.

The first involves the increasing frequency with which blocks of shares are crossed off the floor, usually among the foreign brokers.

These are put through the computer not at the time of the transaction but some while after the tight 15-minute limit for reporting floor deals, corrupting the intention that the new system would allow instant visibility of daily trading patterns.

This is defended in part by reference to the sharp upward jolt in official turnover from April on, doubtless reflecting the previously frequent though smaller-sized deals struck outside the territory's four old exchanges.

Beyond this, Mr Derek Murphy, assistant Securities Commissioner, takes the view that with a 24-hour global equity market evolving, there will always be some who are behind on the news.

"It is recognised that a market is a facility and the world does not stop when the final bell rings," he says.

The second potential focus of discord stems from the way brokers register themselves on screen as a buyer or seller of any particular stock. A queue forms on each side, but there is no indication of volume involved.

Bigger traders have been quick, though, to memorise the code numbers for the other players which carry regular large-volume business. As one British broker puts it: "If I'm a buyer of a million Hongkong Land, no way am I going to go through the list in order from the top, picking up a few thousand each time."

The exchange held back from attempting to impose any formal ruling on queue-jumping, and what moral suasion which might have been in the air has dissipated.

Flowing on from this, all the same, is pressure from the Anglo-US camp for refinement and an extension of the automated system. This would sweep in computerised matching, linking buyers and sellers by quantity rather than chronology.

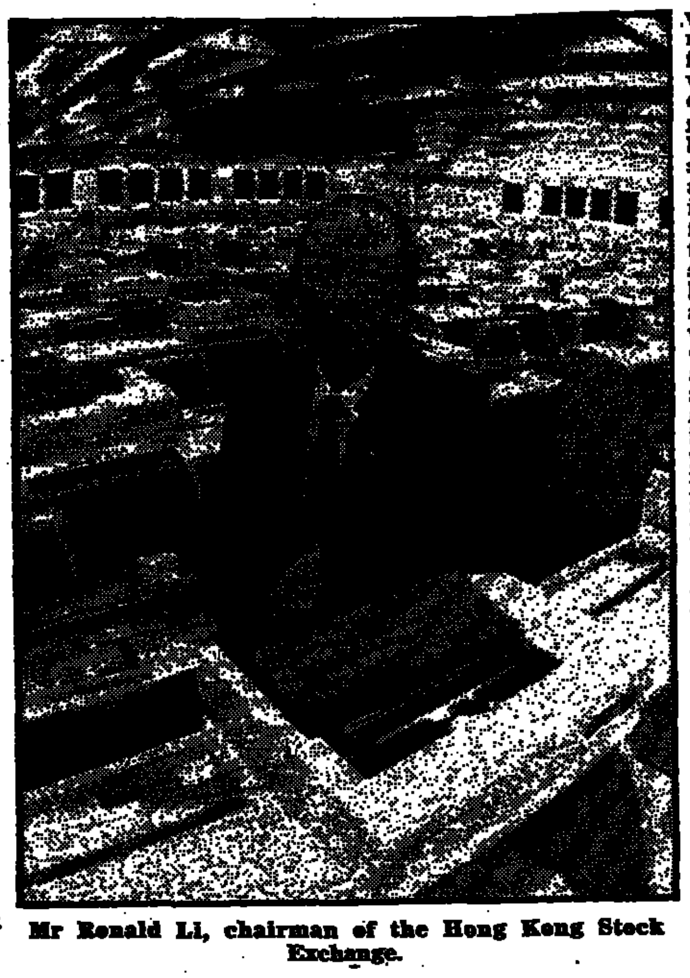
It would also add on a central clearing system for settlement of deals. Screen trading sits rather oddly with clearing requirements that mean dozens of messengers shuttling across the financial district and beyond every afternoon with suitcasefuls of scrip. Hongkong and Shanghai Bank already handles about 70 per cent of these arrangements, and any opposition to its taking on and streamlining the whole business is likely to come mainly from banking rather than broking quarters.

Neither of these proposals has yet had a full hearing, however. Changes within the exchange are decided on a one-member-one-vote basis, and the smaller local brokers who still command a large numerical majority will probably be wary of the prospect of further outlays on technology.

None the less, the foreign houses are finding a more receptive ear to their arguments as the idea permeates that a fundamental change has taken place in the composition of the Hong Kong market in the space of the past three or so years. The difference is institutional business, negligible in the bull market of the early to mid-1970s, but which by the start of this decade had come to account for an estimated 30 per cent of all dealings.

From that point the tide ran fast, and few would now quibble with the judgment that fully 70 per cent of the market is held under large institutional management.

Hence, largely, the ascendency of the foreign brokers. As Mr Murphy puts it: "We have seen a change in the profile of the industry largely because the client profile has changed."



Mr Ronald Li, chairman of the Hong Kong Stock Exchange.

New entrants from abroad are still arriving — a broking licence costs just HK$100,000, exchange seats can readily be bought, and those with good existing client connections are unlikely to find they have joined at saturation point.

Some of the newer names in Exchange Square and its environs are bank-related brokers, membership for which is currently subject to an 18-month moratorium imposed, although not without loopholes, in April.

The arrivals include some of the Big Bang London groupings which have never previously had a Hong Kong role of any significance but which now have the financial weight to take one on.

Two such are Alexanders Laing and Cruickshank, a Mercantile House subsidiary, and Greenwell Montagu. They have been allowed to "adopt" local broking firms through which to deal. Smith New Court, linked to N. M. Rothschild, bought a seat on the old Far East exchange before April as its way in.

This highlights in one way the opportunities now available to local brokers as well as the pressures on them. Others, aiming to remain independent, are bolstering research capacity or specialising in, say, second and third-line property stocks where they can best muster expertise.

All the same, scores have fallen by the wayside. Prior to April, overlapping memberships on the four exchanges made even counting their numbers difficult, but there were at least 1,000. At the birth of the unified exchange there were 678 active members and 248 non-trading. By the end of August a net 60 had disappeared altogether while 13 more had become dormant.

The local brokerage industry is dominated not only by the foreign houses but by Sun Hung Kai, which with a large base among Chinese retail investors commands possibly 20 per cent of the market as a whole.

Mr K. B. Fung, who as executive director is in charge of SHK's day-to-day operations, sees further growth potential for his firm — but not through an acquisitions drive to mop up smaller rivals.

"In many cases there is not much added value there," he says.

An international dimension to SHK's business is one key component, he says. This already exists, in a sense — SHK is 25 per cent owned by Merrill Lynch, although the New York giant seems content to confine its role there to little more than a conduit for US securities bought locally. In its own right, SHK has offices in London, New York and Singapore.

But within the territory, the more substantial local broking firms see three main avenues which could provide enough new business to sustain profitability even in a chillier world climate:

● The futures exchange has made a good start; indeed, it is being questioned to what extent small investors are being drawn away from ordinary equity trading by the low outlays the futures dealings require. But the Hang Seng index contract is seen as a useful crossover, and brokers are marketing it actively among retail clients with clear success.

● More nebulously, the idea of an over-the-counter market — second board or USM, the nomenclature is still as vague as its intended purpose — is being promoted in the face of strong reservations from the overseas firms. It has the support of Mr Ronald Li, the Stock Exchange of Hong Kong chairman, and SHK.

Against it, the case is made that there are already more than enough listed stocks with low market capitalisation, thin trading volumes, and esoteric areas of operation. Some see it as likely to be a junk market of which the prime purpose is to keep share salesmen in business.

In favour, Mr Fung cites the opportunities it could offer the territory's manufacturing sector, which has traditionally received a low rating on the main market, in part because of its fragmented nature.

"There are at least 20,000 small to medium-sized manufacturing companies, employing a labour force of 900,000 and providing 25 per cent of GDP. Yet only a handful are listed; it's because there is no incentive," he says.

What neither its proponents nor the authorities want to see, however, is a second market becoming a way in for a proliferation of Vancouver or Perth-style speculative mining or energy explorers, a few of which have already gained backdoor listings although bereft of Hong Kong or Chinese fixed assets.

● China, unsurprisingly, is the third main repository of local brokers' hopes. This is despite the fall-off in projects for the open cities of the south where lead-management roles in financing syndications had been the substance of their business with the country.

Current talk is instead of China listings — quotations on the Hong Kong exchange, through holding companies, for Chinese enterprises over which Peking would be willing to relinquish full ownership. This could be particularly appropriate for smaller offshoots of the Bank of China, some of which base much of their operations in Hong Kong.

A few of these have indicated willingness in principle to follow that course. Numerous obstacles remain, but officials from both sides are said already to have discussed a possible pilot issue.

**Gordon Cramb**

# Territory's future role

Continued from Page One

Kong's future, it could clearly reduce Peking's dependence on the territory in the longer term, especially as China is evidently keen to tap capital markets further afield. It recently issued a Eurobond in Frankfurt, and exerted considerable pressure on banks to take part from London in defiance of the Bank of England's opposition — China still has uncleared pre-revolutionary debts.

There is no doubt, nevertheless, that Hong Kong's markets could increasingly serve as a conduit for investment capital, from both Hong Kong and elsewhere, into China. The extent to which China will want and need to use them as such depends on unknowns: for how long Deng Xiao-Ping remains the effective leader of China, and whether his open-door, growth-oriented policies will survive him. These are areas in which Hong Kong will in any case be powerless and upon which it is almost pointless for the territory to speculate.

Hong Kong is also vulnerable to other powerful outside influences out of its control. Since it is so trade-based, the economy reflects the performance of that of the industrialised world and especially the US. During this decade, that has meant strong growth with the exception of last year. There are naturally huge fears in the territory about US protectionist pressures.

Manufacturing industry is dominated by textiles and other light goods which have typically required a short investment cycle. At present, new investment is slack and there are calls for development of new higher-technology sectors providing a sounder future for the industrial base.

This is particularly poignant for the many who see little sense in forecasts that Hong Kong will become a services rather than a manufacturing base. Without the latter, they ask, what is there to serve?

Though the provision of services such as trade finance to industry is the underpinning of the financial sector, it does seem that the latter could continue to grow in Hong Kong even if manufacturing becomes proportionately less important. If the arguments for remaining in Hong Kong were purely local, foreign banks and corporations would surely be moving en masse to Tokyo, where the internationalisation of financial markets is gathering steam.

That Tokyo's rapid rise can occur while leaving Hong Kong as a significant centre would seem to be suggested most potently by the extent of current Japanese investment in Hong Kong. Dai-Ichi Kangyo Bank's purchase of a local bank with a branch network is but the latest of a string of major commitments not only in the banking and securities field but also in retailing, construction and other sectors.

While Tokyo is the centre of a huge pile of capital, it remains extremely tied by regulation, as will as inhibiting foreigners through the language problem and the very high cost of a presence there.

Singapore, meanwhile, is widely seen as having missed the opportunity to take over some of Hong Kong's functions, because of the government's interventionist approach. Bankers and brokers see Hong Kong's role as an international financial centre continuing in the following ways:

●As a medium for cash investments from South-East Asia, and particularly from overseas Chinese in the region. Any worries such investors might have had about Hong Kong's financial system should have been eased by the recent enactment of new banking legislation placing tougher capital, ownership and auditing requirements on banks and better defining the role of the regulators.

●As a portfolio management centre, advising regional and local investors not necessarily on investments in Hong Kong, but internationally as well. There are increasing numbers of fund management concerns in Hong Kong, and the local stock market has additionally become far more institutionalised. This also provides a sounder base.

●As a services centre. The importance of Hong Kong's services in shipping, ship management, accounting, law, back-office work, communications and transport cannot be underestimated and seem set to be unparalleled in the region for a long time to come.

●As a deal-making centre. Many banks come to Hong Kong because so many other banks are there. If they want a share of the action — be it South-East Asian, Chinese or local business — they currently have little alternative but to be there.

●As a base for China business. Companies often find that, with a strong Chinese presence in Hong Kong, the territory is a more useful and agreeable base than Peking.

All of this is supported by low tax, a laissez-faire government approach, and a life-style that bankers candidly admit they want to maintain.

Obviously, the financial services industry could collapse in Hong Kong. It is too easy to paint a picture of extreme gloom as 1997 approaches. If there are financial accidents of the type which can occur in any such centre, the crisis which could follow could be even more serious in light of the uncertain nature of confidence. Some bankers acknowledge that they could move out virtually overnight and continue their business virtually unchanged from another base.

With the territory still be a booming international finance centre when the Chinese are posted there instead of British troops and Gurkhas?

To some extent, the answer will depend on boardrooms far away — in New York, for example, where the simple idea of communist domination might not seem compatible with the long-term profitability of a US bank's extensive commitment.

The markets in Hong Kong can do only one thing to influence such decisions.

"The real solution," says Mr Kim Cham, chairman of the Hong Kong Futures Exchange, "is to make the place work."

## New supervision in banking

# Commission acts swiftly

FOR THE last month, banks in Hong Kong have been operating under a new regulatory regime, one which seeks to bring many areas of their activities under official control for the first time.

It took only eight days for the territory's new Banking Ordinance to justify its existence. Using the powers which had come into force on September 1, the government moved in to take over Hong Nin Bank, a four-branch operation which ranks 29th of the 35 locally incorporated banks.

The action by the Banking Commission came as a surprise, as Hong Nin had already found a buyer and, just days earlier, officials were saying they expected a satisfactory deal to go through. But, faced with an erosion of deposits at Hong Nin and evidence of questionable loans, they dislodged its management and put in place an Exchange Fund credit line from Hong Kong's official reserves.

Hong Nin illustrates the frailty still able to be discovered in some areas of Hong Kong banking, at a time of ironically high liquidity—often uncomfortably so—for the sector as a whole, and when analysts and regulators alike were reaching the opinion that the series of messy collapses over the past three years was over.

The first of these was Hang Lung Bank, the collapse of which in September 1983 cost an estimated HK$1bn and prompted the drafting of the new legislation. The spate of half a dozen culminated with Overseas Trust Bank, which failed in June last year.

Hong Nin was still solvent, however, and the pre-emptive nature of the move also indicates the extent of the jurisdiction now in place. Previously the territory's governing bodies would have had to vest case-by-case powers with the commission.

Officials point out that in some respects the new ordinance gives them more powers than those available in the UK to the Bank of England.

Notably, government approval is needed for all new shareholdings representing more than 10 per cent of a bank's equity, before voting rights can be exercised. No such unequivocal authority was available to the British regulators when Standard Chartered, the UK bank with a Hong Kong note issuing mandate dating from 1862, in the last few months faced the attentions first of Lloyds Bank and then of Sir Yue-Kong Pao and other Far East entrepreneurs.

Further than this, Mr Robert Fell, the Banking Commissioner, under the ordinance may require an institution to do "any act of thing whatever" including, as events have shown, cede control if he deems it in the public interest.

All the same, the ordinance has been designed to avoid too precipitous a clampdown on the sector, and Hong Kong is far from having entered a new and draconian era of banking supervision.

A two-year grace period will preclude the imposition of its requirements on capital adequacy, while flexibility and tolerance are the two attributes still most commonly stressed by the authorities responsible for its introduction.

"I think the industry itself feels the need for definite requirements," Mr Fell says, but adds soon afterwards: "What I would have liked is less in the ordinance and more by discretion."

Discretion is being used by the authorities particularly in monitoring newer areas of business for Hong Kong banks, as the shape of their market changes.

Chief among these changes is the potent new force established over the last three to four years by the Peking-controlled Bank of China group, which now has some 20 per cent of the territory's branch network and a deposit base estimated to be at least of similar proportion.

Preferential loan rates offered in some areas by the Bank of China and its related institutions have contributed to tighter terms for lending all round, amid the relatively low demand for borrowing which persists in the system. Pressure on bank margins in thus accompanied by an enduring temptation, the new regulations notwithstanding, to base lending undertakings as much on the need for interest revenues as any prudential evalution of the product or entity which is to be the recipient.

These uncomfortable symptoms are being manifested in three key areas of business:

- **China trade**, where reliable volume of two-day business is still being largely hampered by foreign exchange restraint, while infrastructural project finance now requires the lender to assume more of the risk burden. Because of these restrictions, China-related business accounts at most for 5 per cent of banks' loan portfolios.
- **Corporate business** within Hong Kong, which is gravitating to the foreign institutions which are best placed to offer the full range of money market instruments.
- **Retail outlets**, which are being obliged to follow world trends to automated banking for personal customers, requiring investment levels by the larger institutions which their smaller rivals cannot hope, even proportionately, to match. Credit card business meanwhile continues to produce poor returns from a Chinese community which is said to be markedly diligent about settling monthly statements.

But as the foreign banks lead a shift to securitising large corporate calls for funds, their local counterparts are discussing a concerted move to open up an industry at the opposite end of the same spectrum—venture capital, which has yet to take off in Hong Kong. It is being enthusiastically prompted, although still only in proposal form, as a growth opportunity for the local sector.

Mr Piers Jacobs, the Financial Secretary, has as a policy target a closer relationship between banking and industry, and is lending a cautious endorsement to those examining its feasibility. The idea is unlikely, however, to come to fruition in the form of a fully-fledged and state-backed industrial or development bank, as is being proposed by some local bankers.

Mr Peter Wrangham, general manager of Hongkong and Shanghai Banking Corporation, by far the territory's largest local bank, is among those who would prefer venture capital to remain a private sector prerogative. An industrial bank would, for many, come too close to being a central bank, and Hong Kong has so far managed without one.

Of the HK$200bn in outstanding bank lending for use within the territory, less than a tenth is to the manufacturing sector, which ranks a low third behind property and merchandise. In part, this reflects Hong Kong's make-up, but with an additional element of caution on the part of the banks, in spite of weak overall loan demand.

Mr Wrangham, who in his other capacity as chairman of the Hong Kong Association of Banks is currently examining the potential for venture capital, says: "There could be a time, particularly in electronics, when you are dealing with are components coming in from Japan or Korea and being made up. As a bank you are not always able to assess the prospects of an enterprise. Equity can be a better route."

For the banks very much below Hongkong Bank in size, though, opening many new sectors such as venture capital is likely to require a strengthening of their own capital base. Aside from this is the September 1988 deadline for all the 35 local institutions to fall in line with the capital adequacy ratios laid down in the ordinance.

Whether or not more follow Hong Nin into protective custody, a series of mergers within the sector is thought likely on a voluntary basis rather than in the face of imminent failure.

Analysts foresee a selective regrouping, mainly involving the medium-sized institutions which will have to fund a presence in an expanding range of wholesale banking markets and retail services, all requiring investment in technology.

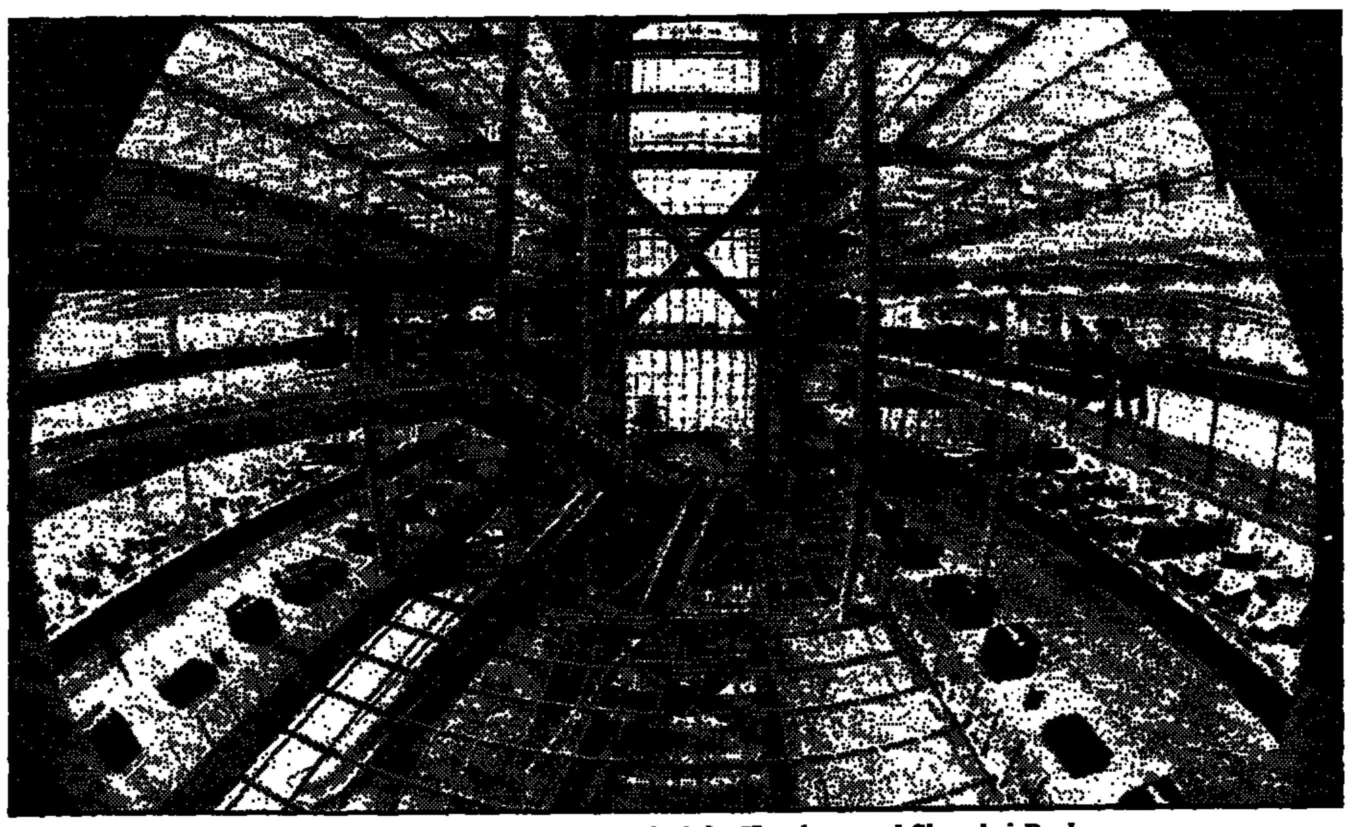
This is where the squeeze on earnings is expected most to come. Below this level, for reasons of prestige or otherwise, family controlled banks and deposit taking companies are likely to remain in existence despite being minuscule by world standards. As Mr Fell, watching from Queensway Government Offices, puts it: "The very small will lick his own stamps and get by somehow."

**Gordon Cramb**

**Banks in Hong Kong**

| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | (June) 1986 |
|---|---|---|---|---|---|---|---|
| Total assets (HK$bn) | 289 | 414 | 597 | 789 | 904 | 1,181 | 1,272 |
| of which HK$ denominated | 133 | 180 | 240 | 275 | 292 | 342 | 363 |
| Number of banks | 113 | 121 | 128 | 134 | 140 | 143 | 149 |
| Number of branches | 1,033 | 1,181 | 1,346 | 1,397 | 1,407 | 1,394 | 1,392 |
| Average liquidity (final month, %) | 48.4 | 55.5 | 47.2 | 51.1 | 49.6 | 50.7 | 54.6 |

Source: Census and Statistics Department, Hong Kong



View of a section of the banking hall of the Hongkong and Shanghai Bank

Mr Piers Jacobs, the new Financial Secretary in Hong Kong, seen in front of the Hongkong and Shanghai Bank—the tallest building in Asia

## Futures Exchange

# Gamble-lovers boost market volume

MR KIM CHAM has good reason to be even more than usually effervescent about the progress of the Hong Kong Futures Exchange, of which he is chairman.

After being reborn in May as a financial futures market trading Hang Seng Index futures, the exchange has grown rapidly. Though the contract is small in value terms, trading volume measured by numbers of contracts has already passed the stock index business on the London International Financial Futures Exchange (Liffe) and the Sydney Futures Exchange.

The secret of its success, apparently, is the Hong Kong resident's innate liking for a gamble. Big investing institutions do participate in the market, but only to a limited extent.

Since the man on the Shaukeiwan tram has been boosting futures volume in a time when the stock market has been rising—and has been using futures as an alternative to stocks—there must still be question marks over the durability of the exchange's current success.

The enthusiasm of the mostly young traders on the floor is clear, however. The exchange is already planning a move next month to a larger and more suitable floor, and will then launch futures based on domestic short-term interest rates. International contracts such as currencies will follow later.

**Brokers say some procedures need to be tightened to bring it more into line with international markets**

The exchange was established in 1976 as the Hong Kong Commodities Exchange, but met limited interest and was beset by a series of scandals. Futures consequently had a poor reputation in Hong Kong. Reforming the exchange was therefore a challenging task, involving new surveillance procedures, arrangements for a compensation fund, new legislation, and finally the attraction of capital from new members.

That the exchange will be a tougher watchdog already seems clear. Breaches in discipline have caused the suspension of a member firm and fines of others—for offences such as dealing for own account ahead of a customer's order.

Some members contend that the HK$100 minimum commission is being undercut, and the exchange is understood also to have penalised members quietly for this, as well as for charging less than the HK$10,000 minimum margin from customers.

The stock index contract—by far the most important since the exchange's commodity futures barely trade—is based on the Hang Seng Index of 33 stocks. Its value is HK$50 times the index, which stood at record highs just below 2,000 in early September giving a futures contract value of nearly HK$100,000.

Hong Kong's stock market has always attracted considerable interest from small investors. Local brokers' offices are often crowded with customers keeping an eye on the market, and financial news is an important component in dozens of newspapers.

So it is not surprising that investors should have been attracted to a low-cost way of speculating on the stock market. Brokers believe that most customer orders come from fairly wealthy local individuals wanting to take a punt on the direction of the stock market. As the market has been going up, this has been highly profitable.

Many such investors are probably less attuned to the idea of selling a futures contract short as a way of betting that the market will fall. Nor, so far, is there much use of the market as a hedging vehicle, again the market's bullishness has meant lit-

More complex arbitrage programmes of the type seen in the US are possible in theory. Since the index consists of only 33 shares and is heavily weighted towards a few of the larger-capitalised stocks, it would be possible to buy or sell all of the component shares or a smaller selection giving a reasonably good proxy for the index. But brokers say that the premium of the index futures price over the actual index level is not high enough to justify an arbitrage trade involving the sale of futures contracts and the simultaneous purchase of constituent shares.

As part of attempts to develop a more solid liquidity base for the market, the exchange is promoting spread trades between different months of the Hang Seng contract. Lower margins and margin offsets are being offered by International Commodities Clearing House, which clears the HKFE.

**Hang Seng Index futures market**

| End of each month | Open interest Net | Open interest Gross |
|---|---|---|
| May | 1,891 | 5,587 |
| June | 2,314 | 5,213 |
| July | 3,404 | 7,598 |
| Aug | 4,678 | 10,903 |

Business has been fairly well spread among the 85 members entitled to trade the contract on the floor. This is to some extent to be expected as each undertook to transact a certain amount of business as a condition of membership. Mr Cham says that each membership will be reviewed after a year and that those not doing enough business can be removed.

Though this incentive may account for some of the volume—brokers calculate that it is worth paying the HK$10 fee to the exchange per contract, so they do in-house or own-account trades—the diversity of brokers active in the market does indicate a fairly broad spread of interest in the market.

Prominent traders include local brokers such as Sun Hung Kai, Chin Tung and Pak Shing, as well as Wardley, which is the Hongkong and Shanghai Banking Corporation's merchant banking subsidiary and similarly has a broad retail investor base.

Some interest from institutions and wealthier private clients is indicated by the activity of foreign houses such as James Capel and Hoare Govett. China-owned firms also trade as members.

The base of the exchange's business could be broadened shortly by the admission of associate members. Mr Cham opened the Hang Seng market to new members at HK$50,000 each—a price which now seems cheap—with the incentive that those in at the start would have a clear run for six months.

The moratorium on new members is up in November, and Mr Cham says 183 firms have applied to join. However, the initial members' advantage is likely to be retained by allowing associate memberships, which would not permit a floor presence and would require holders to trade through full members. This could prove controversial.

The next contract, on 90-day Hong Kong dollar time deposits, is also likely to broaden interest in the market since it will appeal largely to banks. The HK$1m contract will require government approval, but this is unlikely to be a problem, and the Hongkong Bank, which dominates the local money market, is also likely understood to be in favour.

Brokers say that some procedures of the exchange need to be tightened up to bring it more into line with international markets. For example, the exchange has a mixture of different trading methods. It is basically open-outcry, like most major futures markets, but also has opening and closing call sessions.

**Hong Kong's local investors have been attracted to a relatively low-cost way of speculating on the stock market**

The call chairman also oversees trading throughout the day, repeating latest quoted prices with the aim of assisting traders and keeping the market moving. The intention of having such a mixture was to boost the liquidity of the market.

Some brokers believe the call sessions are unnecessary, and make it difficult to trade at the end of the day: because it is never clear at what point the market will actually close, it is impossible to put in "market-on-close" orders.

Brokers also say that there should be a floor committee composed of practitioners, as on other markets, in order to aid speedy resolution of trading disputes.

Such grumbles notwithstanding, the HKFE's progress in such a short time has been remarkable. The average trade is increasing from one to nearly two contracts, and brokers say a 200-lot order could now be handled fairly quickly. Traders have quickly picked up experience of trading futures, and the noise level — always a good test of futures markets — is high.

**Alexander Nicoll**

Crowds flocking the Eastern Corridor: local residents' innate liking for a gamble has been the secret of the success of the Hong Kong Futures Exchange.



## Capital Markets

# An example of dynamism

WANTED: new top-quality borrowers. This is the cry from the bankers who have developed Hong Kong's capital markets over the past two years and are now looking with some concern at the future.

The capital markets are a good example of the dynamism of Hong Kong and its ability to apply sophisticated techniques rapidly. They indicate the role that Hong Kong could play as a fund-raising and investment centre for the region as its political status changes.

What is needed, however, is a broader spread of borrowers — including some making issues which could serve as benchmarks — and wider distribution of securities outside the banks which underwrite them.

Two important worldwide trends underlie the growth of Hong Kong's fixed and floating rate debt markets. These are securitisation, or the substitution of securities for bank loans; and swaps, through which borrowers can borrow more efficiently and according to the regimen which suits them best.

Securitisation has signalled Hong Kong's decline in one area in which it used to serve as an important financial centre: the arrangement of syndicated loans for South-East Asian borrowers. The more creditworthy among them have turned to the securities markets, mainly in Europe, to satisfy their funding needs, while others have been borrowing less, mostly for economic reasons.

The trend may not last. Malaysia, for example, has recently been forced to return to traditional syndicated loans as its credit rating has dropped. For the time being, however those banks still in the business are left competing fiercely for a handful of mandates.

Hong Kong still does serve as a centre for what deals there are, covering an area stretching as far West as Pakistan. But the focus of most of the Euromarket bankers who were involved in the business has switched.

Rather than allowing securitisation to take away their livelihood, they have applied its techniques to the local market. In particular, the volume of

**Placement of HK$ certificates of deposit**

| | % |
|---|---|
| Underwriting banks | 45 |
| Local non-underwriting banks | 12 |
| Banks via asset packages | 7.5 |
| Pension funds/insurance cos. | 15 |
| HK corporate investors | 10 |
| High net worth individuals | 10 |
| Money market funds | 0.5 |

Source: Manufacturers Hanover estimates.

securities issues denominated in Hong Kong dollars has mushroomed. Complex structures used in the Euromarkets have been fully employed in Hong Kong such as "mini-max" floating rate notes, reverse FRN, "bull" issues and warrants.

There have been two main types of issue: commercial paper—short-term notes issued by companies as an alternative to short-term bank funding — and certificates of deposit.

Commercial paper facilities quadrupled in 1985 to HK$8.35bn but the pace has slowed in 1986, with just over HK$3bn arranged in the first eight months of the year. Such facilities are usually arranged on the tender panel basis, in which underwriting banks set a maximum spread over money market rates at which the borrower will be guaranteed a maximum cost.

The participating banks, however, bid competitively for paper each time an issuer needs funds, so that the borrower should be able to obtain money at below the maximum spread.

The volume of new facilities has declined this year probably because most of the major local borrowers with a natural need have already arranged them. These include major borrowers such as the Mass Transit Railway Corporation and Hongkong Land, and other utilities such as Hongkong Electric, the Kowloon-Canton Railway and Castle Peak Power, as well as large companies such as Cheung Kong and Jardine Matheson. Banks and Chinese enterprises have also been among the users.

Commercial paper issues are—or, at least, should be — restricted to the highest quality borrowers who can achieve the finest rates, and the number of these with a need for Hong Kong dollar funding is limited.

CD issues, which are mostly at fixed rates, are running well ahead of last year, at HK$10.5bn in the first eight months compared with HK$7.2bn in the whole of 1985. A handful of foreign banks dominate the lead management tables, with Banque Paribas just in the process of edging ahead of Manufacturers Hanover and Citicorp running third.

Despite its rapid growth, however, the Hong Kong dollar market has a number of impediments:

- Banks make fixed rate issues with the aim of swapping the proceeds into floating rate funds at rates below those they could obtain by straightforward funding. This depends, however, on a supply of swap counter-parties—borrowers with a need for Hong Kong dollar fixed rate funds in quantity. This is clearly limited.
- Foreign borrowers (other than Chinese) are limited by the same constraint and also by the Hong Kong Government's apparent reluctance to see too much foreign dependence on Hong Kong dollar funding, which it sees as potentially threatening the currency's fixed link to the US dollar. The Government has turned down an approach to allow a World Bank issue.
- There are virtually no issues by the Hong Kong Government itself, and thus no clear benchmark of the type found in other securities markets. The closest are MTRC issues.
- The market has no liquidity. There is very little trading of securities. Banks, far from distributing securities to investors as part of the disintermediation process, hold most paper themselves. This has been extremely profitable during the steady decline in interest rates, but could cause considerable dislocation should interest rates turn upwards, and particularly if there is a sudden substantial rise in rates - which seems unlikely at present.
- Though Chinese entities have been active borrowers, they tend to be extremely demanding in setting terms, with the result that banks participate merely as a lever to obtaining future business — these are often called relationship deals, and they occur in straightforward bank lending as well as in securities issues. There are signs, however, that borrowers are now tending towards fairer pricing.

Banks have attacked the liquidity problem in several ways, of which the most recent are money market funds aimed at the small investor - that is to say, an investor with at least HK$50,000 to keep on deposit. These invest in Hong Kong dollar securities and pay interest well above the cartelised bank deposit rates.

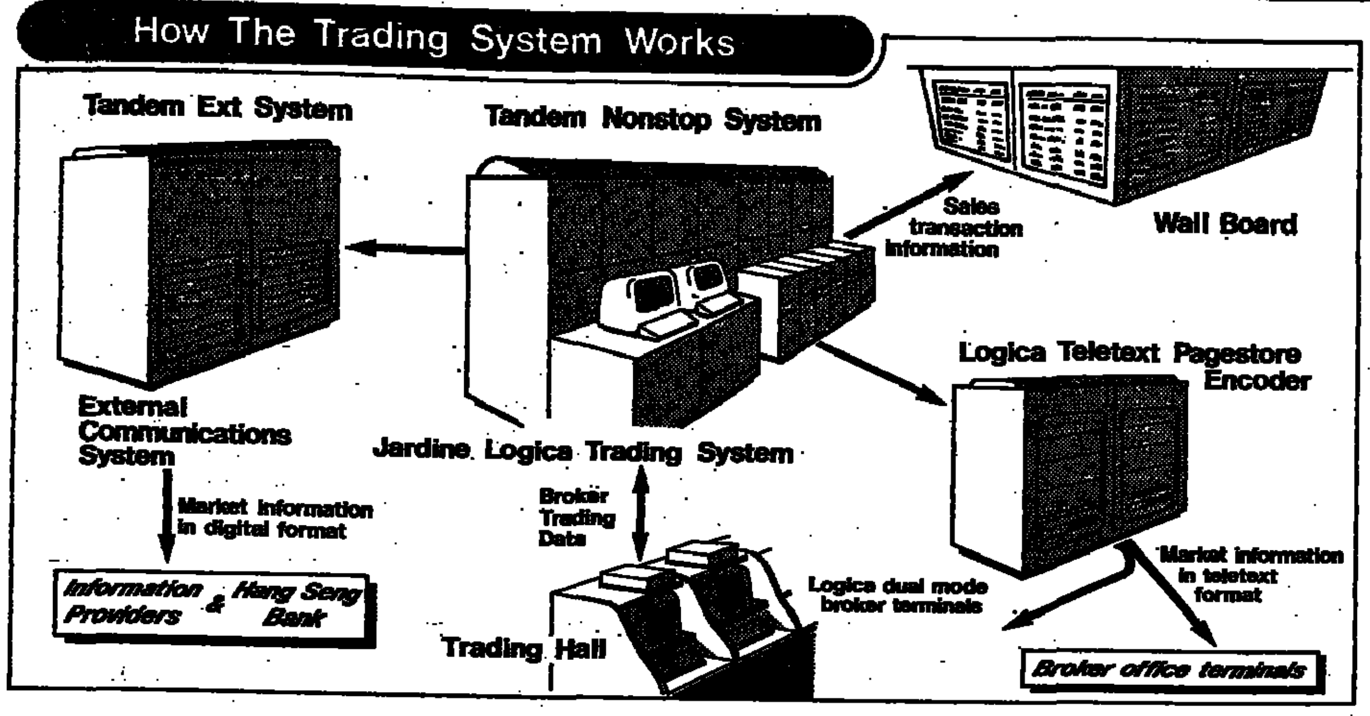
By early September, Manufacturers Hanover's was the largest with HK$69m invested. But this remains a drop in the ocean in terms if achieving a broader distribution of securities among non-bank investors.

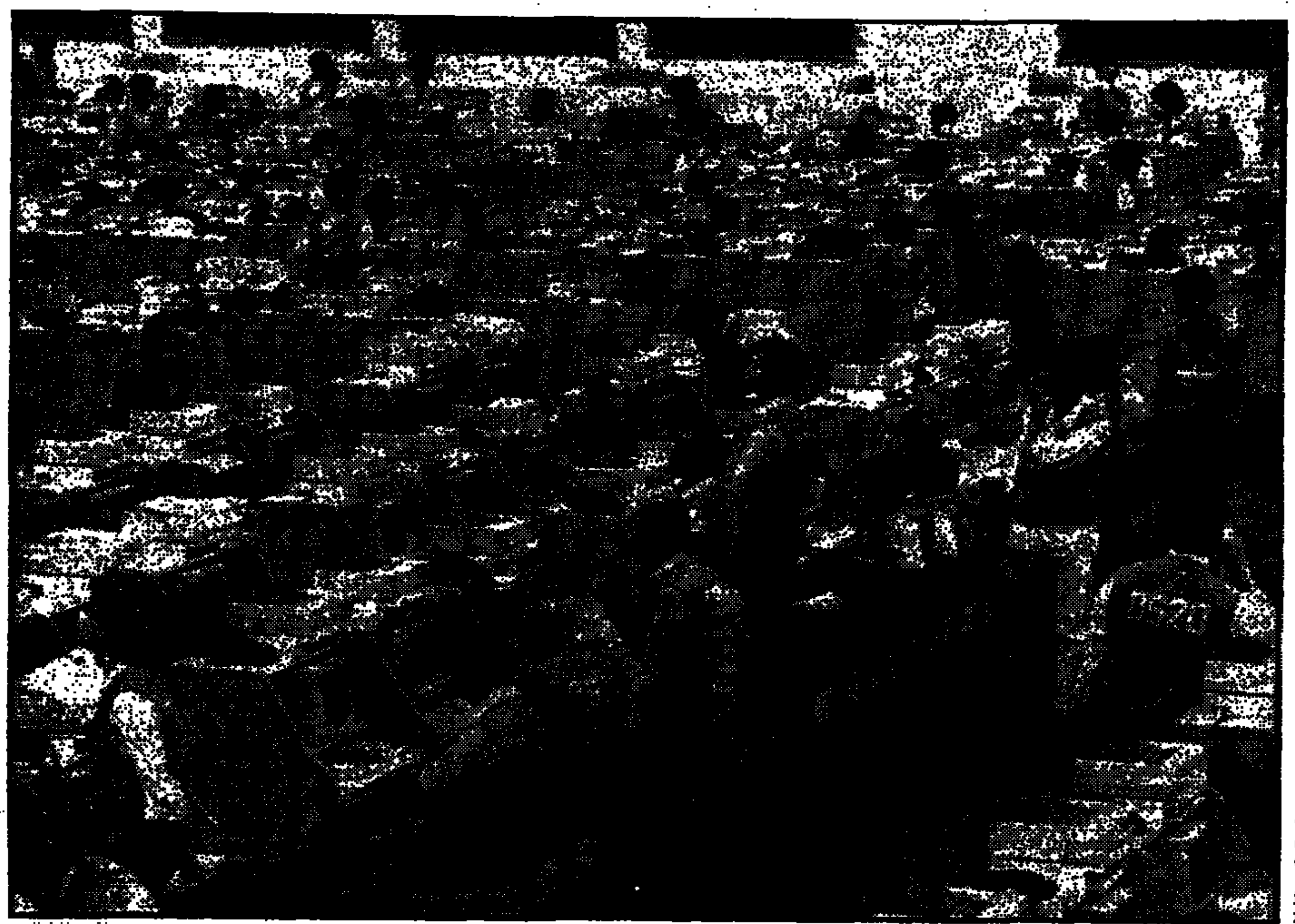
A more substantial trend has been towards packaging of assets, which effectively removes securities from the secondary marketplace and replaces them with new ones. The issuers of the new securities hold these ones until maturity and lock in a funding margin. Though this relieves the secondary market of often poorly-priced issues, it does not really expand the investor or borrower base.

"A lot of issues at the moment either have other assets tied to them or are effectively being used as a hedge against the issuer's own holdings," says one banker.

The challenge to all participants in Hong Kong's capital markets, therefore, is to develop borrowers and investors before a simple rise in interest rates seriously damages the longer term prospects for the markets' growth. The capital markets still have some way to go before they can serve as a model for the new Hong Kong.

**Alexander Nicoll**



As many as 3,000 dealers will be able to operate through the HK$70m computerised system which was completed on time and within budget.

## Computerised dealing system

# Doubts have evaporated

MR WILLIAM PHILLIPS, managing director of Baring Securities' Hong Kong subsidiary, was cheerfully repentant:

"Definitely, I was sceptical," he said, "and definitely, I was wrong".

He was one of a number of significant stockbrokers who last year publicly cast doubt on the Stock Exchange of Hong Kong's plans for a new, computerised trading system to unite dealers from the territory's four existing exchanges—Hong Kong, Far East, Kam Ngan and Kowloon—on one trading floor.

Now most of the doubts have evaporated—"Having looked at the alternatives, I think we have a very good compromise here," says Mr Phillips.

There are some niggles. Brokers say it can be difficult to buy or sell large volumes of stock close to the end of a trading, but for the most part, the reception accorded the system vindicates the judgement of its chief architects, Mr Ronald Li Fook Shiu, chairman of the exchange, and Dr Philip Wong, chairman of the exchange council computer subcommittee.

Since it went live earlier this year, it has functioned without a hitch—except for one notable day last month when, through human error, the system was not switched on for four minutes at the beginning of trading. Automatic start-up has now been built-in.

Stock trading in Hong Kong in the days of the four separate exchanges was idiosyncratic. The new, computerised system is itself also idiosyncratic because it has been designed to mirror, electronically, the manual trading method, which raises some questions about its competitiveness against other markets. But it is, nevertheless, sophisticated and ingenious and has a number of features which could be applied to other, small exchanges around the world.

The four original exchanges all traded in roughly the same way. Large white-boards, one for each stock, mounted on the walls of the trading hall carried the bid and ask prices. The brokers wrote their identifying company numbers in columns under the prices indicating a willingness to deal at the prices quoted or at one spread higher or lower.

Dealers traded face to face in front of the boards, inserting the number of shares traded and the price agreed on the lower part of the board.

Television cameras, again one for each board, relayed the trading information to brokers on the trading floor and in their offices in other parts of the city.

When the decision was taken to unite the four exchanges on a single trading floor, it was clear the white-boards would have to go. With up to 3,000 traders entitled to take part in the outcry system, chaos would have resulted.

"There is no doubt about it," Dr Wong, a stockbroker and paper manufacturer, says, "technology had to be the key to what we were trying to achieve."

But he was very conscious that to win the support of the traders, certain features of manual trading would have to be retained. In particular, he was looking for flexibility especially in terms of last minute changes of mind — "That is a very important factor in Hong Kong".

**The technology of the new stock trading system is ingeniously designed to mirror, electronically, the manual methods of the four original exchanges.**

That ruled out, for the time being at any rate, automatic matching of bid deals, although the exchange is currently investigating the development of such a system for very small orders.

So Dr Wong's functional specification paid full tribute to the conservatism of the Hong Kong brokers and asked for a replica in electronic terms of the whiteboard system.

The trading floor would be retained but the dealers would be restrained to small cartels organised around the four walls of the trading hall. In front of them, computer screens would electronically generate images of the whiteboards. Deals would be consummated by telephone and details input through keyboards.

Many companies bid for such a prestige contract. The list included the mainframe manufacturers IBM, Sperry, Burroughs, Honeywell as well as a joint bid from the London Stock Exchange, Rediffusion and Modcomp and a bid from Jardine Logica Systems, a joint company set up by Jardine Matheson & Company, a very significant company in Hong Kong, and Logica, the UK-based computing services company.

For all the bidders, Dr Wong's specification presented a problem of peculiar difficulty but one which is common to all stock exchange and trading systems.

The problem is how best to arrange for all dealers to receive, in a fair manner, all the market information to which they are entitled through their screens, allowing them to browse at will through all the stocks on offer while at the same time making possible virtual instantaneous update of the information when a deal has been concluded.

It might be thought that should prove a simple task for modern high speed computers, but that is not the case. Assembling screens of information and transmitting them to screens on dealer's desks takes substantial processing power. Hong Kong brokers in the old exchanges used browse through the whiteboards by riffling their fingers over the control buttons for the closed circuit television system.

To allow similar trading practices on a computer-based system would imply a massive and expensive concentration of computer power. IBM, for example, at first bid large numbers of its Series/1 minicomputer and then its 4300 family of medium-size mainframes.

The eventual winner, Jardine Logica, took a different and novel approach.

Price Waterhouse advised the exchange on its choice. Mr Philip Godolphin, one of its senior consultants, moved to Jardine Logica to manage the trading system project and so provided a stout rod for his own back—"I had to ensure the system really did all those things I had insisted on," he says ruefully.

It was based on a series of nine Tandem Non-Stop II minicomputers, machines noted for their high transaction processing capability and ability to continue working even if part of the system should fail.

They then split away the information providing part of the system from the information processing.

Each dealer position was equipped with a Philips high resolution video screen and a purpose built keyboard which enabled the system to work in two separate ways—interactive mode and teletext mode.

In interactive mode, the dealer is communicating directly with Tandem computers to input trading information—posting buy or sell orders, recording successful bargains and making inquiries about private information held on the system such as his own sales or purchases journal.

Trading information is extracted automatically from the input by software in the Tandem computers and fed to a pagestore, a device for holding, in electronic form, complete pages of information. In the case of the Hong Kong system, it includes a representation of the whiteboard for every stock, the top 20 stock listings, news pages and financial statistics.

These pages are broadcast one after the other to every broker terminal (there are over 800 on the floor) using teletext technology, a method for transmitting digital information using video signals—it is known best in the UK in the form of the BBC's Ceefax and ITV's Oracle.

It is a little like watching transparencies screened using a projector with a carousel magazine. The pictures come up one after the other and any one of them can be "captured" by the terminal without interfering with the flow.

There is no load on the central processor at all, and the brokers can select a new page in about 0.6 of a second.

For Jardine Logica, the project was an undoubted success. Everybody agrees that it was completed on budget, in the time allowed and does exactly what the exchange wanted it to do.

Mr K. W. Chan, data processing and trading manager, with previous experience of government computer projects, says it is one of the most successful projects he has seen.

Mr Li, the exchange chairman, and Mr Geoffrey Sun Hon Kuen, its chief executive, agree. And the traders seem happy. Ms Jill Gallie, of the old-established Hong Kong trading family F. R. Zimmern, a member of the exchange system user committee, says: "Now we are in the 21st century."

Costing HK$70m, it is still only the first stage in the computerisation of share trading in the territory. The next stage, and one which could result in considerable savings, is the automation of settlement and clearing. The International Commodities Clearing House (ICCH) and the Hongkong and Shanghai Bank are working on proposals for this next stage of automation.

**Alan Cane**

## The future of foreign banks

# Prospects look good

MR FUMIO UMEMOTO is happy with Hong Kong. As area general manager of a foreign bank operating in the territory, this is understandable. But his bank is Bank of Tokyo, one of Japan's leading "city" or commercial banks; he is on its main board in addition to his local duties; and he could be forgiven for being more enthusiastic about prospects for a liberalised financial era now dawning on Tokyo than he is over Hong Kong's changeable outlook.

This is some way from being the case, though, and Mr Umemoto readily draws attention to facilities Japan still lacks in order to be able to claim its place as a fully stocked larder of financial services, accessible to those who want them.

Whatever allowance one makes for a placatory role in national public relations which all bankers abroad have at times to adopt, the tangible presence of Japanese banks in Hong Kong is large and growing. Because of their parents' sheer size, in the words of one government official, they "dominate Hong Kong's banking balance sheet."

The question now is how much of their local activities will flow back to relocate in a freer Tokyo market, and to what extent other foreign banks will follow. It is being asked as frequently and as urgently as what China's commitment to promoting the territory's financial system will be.

Bank of Tokyo has a specialised foreign exchange role, and has thus had a Hong Kong presence since 1953, a decade before any other Japanese bank. Mr Umemoto, who is responsible for US$3bn in assets deployed there, continues: "For the banking business as a whole, I don't believe Hong Kong operations will become less active. For market oriented operations, the more the number of centres, the more the turnover. It's not a zero-sum game."

Japanese bankers are bullish too on China, taking a view similar to their Western counterparts that, short of a thorough-going party shake-up before 1997, if Peking needs funds it must see its best interests as embodying a sophisticated financial marketplace in the strategic South China timezone.

Bank of Tokyo is one which has completed the regional triangle by forming a small joint venture merchant bank with Bank of China, the external arm of the Peking central bank. Kincheng Tokyo Finance, established six years ago, was among the earliest such tie-ups.

Daiichi Kangyo, Japan's and by some measure the world's largest bank, last month moved to expand its China and retail Hong Kong business by buying control of Chekyang First Bank, valued under the deal at some Y16.2bn. The flowback, if there is to be one, shows few signs of having started.

Of the banks where ultimate control lies outside Hong Kong, the Bank of China group with its dozen-plus "sister" institutions is now rated as the key player in the lead-up years as well as the denouncement of the 1997 handover.

Despite the relatively low asset base from which it operates — total mainland investment of all forms in Hong Kong has been put at little more than US$5bn — the group has been making vigorous inroads into deposit taking among the Chinese community and notably into the home loans sector. Repayment terms there, it should be noted, run well beyond 1997.

One British banker in Hong Kong describes the China group's position in the medium term as a "very significant and probably dominant force."

Other foreign banks are therefore seeing:

● A small and dwindling role in the retail market as the mainland institutions mop up individual and small-trader business (Barclays this month announced a branch shake-up involving 80 job cuts, about a sixth of its staff);

● High liquidity in the banking system as a whole — in recent months this has shown signs of rising further from its level, of within a point or two of 50 per cent, which it has held since 1983;

● With loan demand low, a paring of corporate lending margins, and Japanese banks identified as leading the way.

Faced with this less than buoyant outlook for growth, the overseas institutions appear to have a limited number of ways forward. These range from, at the narrow end, forging close links with one of the territory's larger enterprises outside the financial sector, offering "most favoured customer" status in return for a reliable volume of business.

None but the smallest among the overseas operators would be likely to opt exclusively for such a path. But unwittingly, it could be one upshot for Standard Chartered if the shareholding beach-head established by Sir Yue-Kong Pao is reinforced by deals channelled through his property and shipping empire.

Instead the banks could rely on, and attempt more actively to generate, an increased level of business from their home country. The Japanese in spite of their size are still substantially Tokyo-linked — it is unlikely that any of the country's 22 banks operating in Hong Kong has less than a majority of lending exposure to Japanese borrowers, primary trading houses.

US banks in particular can tap export-import finance business from the HK$80bn annual level of bilateral trade (re-exports excluded) which keeps the US just ahead of China as the territory's main trading partner.

This business generally provides good margins for banks, and a slight improvement in volume is expected this year after a dull 1985. However, the peg of the Hong Kong dollar to its US counterpart tends to inhibit the opportunity for associated foreign exchange dealings which can otherwise provide a valuable top-up.

But if a desire for diversity dictates against either of these courses, a more likely way forward — for the larger foreign players, at least — is to ensure a lasting lead in sophistication of wholesale services. It is these which are expected to sustain their Hong Kong subsidiaries, even if regional administrative centres gravitate towards Tokyo.

First, in most cases the foreigners have the edge in experience as Hong Kong follows the world trend away from large-volume credit syndications and towards funding underpinned by securities.

Second, government figures show that loans and advances being made for use outside the territory are in any event increasing to account for more than a quarter of the total, while the foreign currency component of all lending through its banking outlets is running well above 40 per cent.

These should together provide a natural habitat in which to cultivate new products, cloning their attributes from developments already undertaken in home markets.

There are strong signs that this is happening, to an extent which is sufficient occasionally to rattle the biggest of the local banks. On the investment side, Manufacturers Hanover of the US did so earlier this year when news emerged of its plan to offer unit trusts; others, too, had been working quietly along similar lines.

The new instruments were seen locally as a threat to a long-standing cartel of deposit rates which had served to support margins. But Mr Peter Wrangham, general manager of the Hongkong and Shanghai Banking Corporation, now concedes: "We will be in a position to enter this market in the near future, and we may well do so."

In this instance as in others, government authorities are less than troubled—cracks are seen to be opening in what they view as a restrictive practice which, they say, local banks themselves may soon find is against their best interests.

Officials also regard with relative equanimity the trend to securitised lending, pointing out that to an extent banks have been in trading relationships for years—gold is given as a prime example. What they are monitoring is the scale of positions which the banks take on to their own books, an area made particularly tricky by a continuing paucity of end-investors for instruments such as Hong Kong dollar certificates of deposit.

The sector has grown swiftly. For all banks in Hong Kong, the total of outstanding local currency CDs carried on their balance sheets is fast approaching HK$15bn, more than 10 times the 1980 level and three times the present foreign currency denominated amount.

Manufacturers Hanover also heads the lead management table for Hong Kong dollar CD issues, in a league which has strong French as well as US and British representation and, from the local side, Wardley, the merchant banking unit of Hongkong Bank.

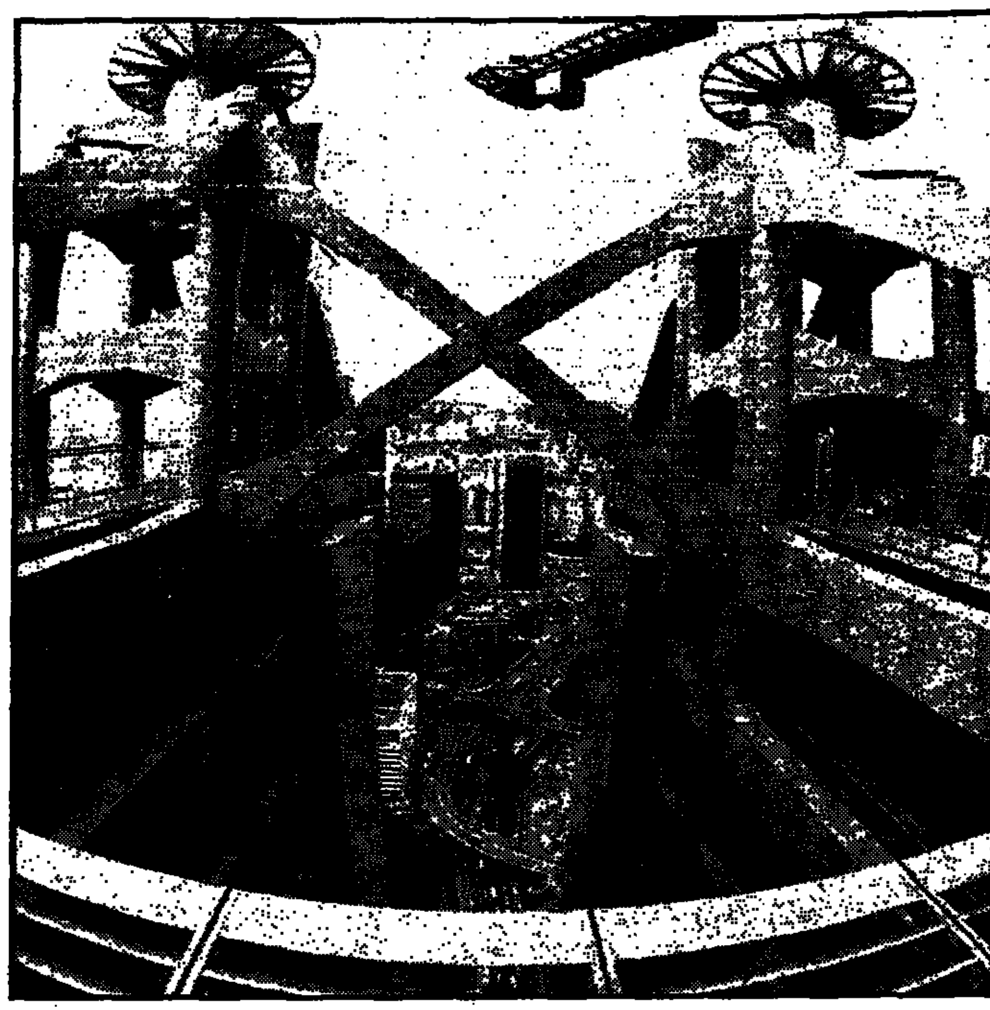
Traditional merchant banking is not at its most profitable in Hong Kong, however, with returns on total assets rarely far above 1 per cent.

On the corporate finance side, takeover activity remains sporadic although new issue business has been on the increase in the past year, even setting aside the Cathay Pacific Airways flotation which was by far the biggest.

The flow of new foreign commercial banks setting up in Hong Kong has by no means ended, despite an official requirement that entrants have worldwide assets of at least US$12bn—a level high enough to exclude many West Coast US institutions which might wish to develop a Pacific trade business.

For the moment their available recourse is to settle for a deposit taking licence—or to take over an existing local bank, at which point the soundness of any new parent is judged at the discretion of the Banking Commissioner.

**Gordon Cramb**



● LEFT: Birds' eye view from the top of the Hongkong and Shanghai Banking Corporation's new headquarters, designed by Norman Foster. The 52-level grey-and-silver, steel-framed building is nearly 600 feet high. The frame is divided into five "village"-like sections separated by double-height storeys.

Above the ground-level plaza, which is broken only by escalators leading to the public banking halls, rises a 170-foot atrium lit partly by a series of light-reflecting panels.

Eight main masts each consisting of four tubular steel columns hold the building up, leaving the central areas of each storey column-free and flexible for present and future arrangement of office space.

At present, most floors are completely open plan. Services for each floor are contained in prefabricated modules. Movement to floors within each "village" is by escalator—the building contains 62 of them.

There are also 23 lifts, most of which whisk passengers to the double-height storeys. Beneath it all are the safe-deposit vaults and the bank's own vaults. Atop it is the chairman's suite and a helicopter pad.

The whole structure is guarded by the same bronze lions which stood sentinel outside the previous headquarters building, completed in 1935.

## Hongkong and Shanghai Banking Corporation

# Symbol of dominance

THE HONGKONG and Shanhai Banking Corporation's new headquarters building is a powerful symbol of the bank's commitment to remain dominant into the next century. Like it or hate it, it is both unique and imposing. But next door in the Bank of China's banking hall, through which thousands of Hong Kong people filed ten years ago to pay their final respect to Mao Tse-Tung, is a model that is equally symbolic.

The model shows not only how far China has come in the past decade, but also that the communist-owned banks intend to dominate Hong Kong as the territory's sovereignty changes. It underlines the challenge to the Hongkong Bank to be faced by William Purves soon when he succeeds Sir Michael Sandberg as chairman.

The model is of the Bank of China's own new Hong Kong headquarters. Designed by Mr I. M. Pei, its complex triangular shapes are as striking as the Hongkong Bank building's extraordinary suspension design. What is more, the building – already under construction not quite next door but close by – is taller.

The Bank of China's clear push for dominance is not the only threat to the Hongkong Bank. More broadly, there is the question of whether an essentially British-run bank with deeply colonial origins will be able to hold on to its position – which includes some quasi-central bank functions – when the territory is no longer governed by Britain.

And there are question marks over its business. Domestically, it is facing poor loan demand and the possibility that this will weaken further if there is a dearth of new investment in Hong Kong industry.

The group's loan book has already been hit in the past few years by the Carrian affair, by the slump in the shipowning business, and by the troubles of Hong Kong's electronics industry. The worldwide trend among top corporate borrowers to tap securities markets is further reducing traditional lending opportunities.

In addition, margins are being constantly squeezed by intense competition.

Internationally, the group does have a large network of branches, and numbers among its subsidiaries Marine Midland Banks in New York, British Bank of the Middle East, the London stockbroker James Capel and the US government securities primary dealer C M & M Group. It is also prominent in China trade and project financing.

But there remain obvious gaps. The group was rebuffed by the British authorities four years ago when it attempted to take over the Royal Bank of Scotland, and is still on the lookout for a suitable European commercial bank — Britain seems the most likely location though there appear few candidates.

It is also lacking a US stockbroking arm though there are clearly difficulties with US law separating commercial from investment banking functions. And despite James Capel's undoubted international expertise as a stockbroker and Wardley's as a local merchant bank, the group has yet to develop a significant profile in international capital markets activities.

Not surprisingly, the bank's executives are vigorous in attempting to quash such doubts about the group's long-term prospects.

Mr Peter Wrangham, general manager responsible for banking activities in Hong Kong, acknowledges that margins earned on deposits have been shrinking, but says that this is being countered by an increase in market share.

"The growth of our deposits is above the market norm, and our cost of funds is probably the lowest," he says.

This he attributes partly to the group's substantial spending on technology. It has an extensive Automated Teller Machine (ATM) network and has also developed an on-line service, called Hexagon, on which corporate customers have instant access to information and banking transactions.

The group's 4½m odd deposit accounts still clearly dominate the market. There are no reliable public estimates of what market share they represent — the bank's tongue-in-cheek line is that published guesses have ranged between 30 and 70 per cent, and that the share is within that range. (The Bank of China's share, by comparison, is estimated at around 20 per cent.)

The group's card business has been expanding. It has 760,000 cash cards in issue which can be used at 470 machines. This has enabled some branches to be pared from the network, which now stands at 279 (excluding about 100 for the group's Hong Seng Bank subsidiary) and the branch staffing to be reduced by attrition by some 3,000 people in four years.

The cash cards may also be used through an electronic point of sale system in many stores. Mr Wrangham says the bank has also beefed up its marketing of credit cards.

Trade finance relating to trade involving Hong Kong is meanwhile expanding at 10 to 12 per cent, Mr Wrangham says.

The local merchant banking subsidiary, Wardley, is recovering from a rough period — caused by over-adventurous lending — after which Mr John Bond, regarded as one of the group's brightest executives, was put in charge. It has halted traditional commercial lending, leaving that to its parent bank.

"We looked at the role of a merchant bank, both in general and in the Hongkong Bank group. We concluded that merchant banks tended to get the risks that commercial banks didn't want.

"This also brought the merchant bank into conflict with its parent. We decided that the future lay not in risking assets but in the top tiers of clients that can tap investors direct," he says.

Hong Kong's growing domestic capital markets are thus an important area of Wardley's business, even though it could be winning mandates for transactions that would traditionally have been done by the parent bank — a situation now found all over the world as investment banking units securitise assets which would previously have been held by their parent commercial banks.

The main thrust of the group's argument about its future is that it already is among the largest of the world's fully international banking institutions.

"We already are what we aim to be," says Mr Bernard Asher, a general manager with responsibility for planning the group's strategy. "We already are a universal bank, global in its nature."

The group, he says, has always had a very federal structure, with a large degree of autonomy being granted to individual subsidiaries and managers around the world. Only about 25 per cent of the group's assets are now in Hong Kong, Mr Asher notes, though he dismisses suggestions that it would seek domicile elsewhere — "The Hongkong and Shanghai Banking Corporation is a Hong Kong institution," he says.

Mr Asher lists the needs for further foreign expansion as follows:

● Expanding in China, where it has offices in Shanghai, in two special economic zones, and also has an active China desk in Hong Kong. It has been involved in financing over 200 projects.

● Expanding Marine Midland, though this is hindered by the prohibition of interstate banking.

● Building a bigger base in Europe.

● Increasing the group's activities in Japan.

Of these, clearly the most dramatic — and the boldest stroke that Mr Purves could make as incoming chairman — would be the acquisition of a major bank in Europe. The rumours which sweep around stock markets almost daily concerning the potential target so far seem unsubstantiated.

An acquisition would further reduce the group's dependence on Hong Kong, and would help to make the group more truly international instead of being — as its own branch network outside Hong Kong is — mostly a bank for overseas Chinese.

For the time being, however, the group is turning in respectable results. Attributable net profit rose 8 per cent in the first half of 1986 to HK$1.19bn, and growth for the full year is predicted to be steady. Total assets rose from HK$545.6bn at the end of 1985 to HK$613bn at end-June.

**Alexander Nicoll**

The Economic Scene

# Healthy trade picture

IT HAS become somewhat of a cliché to say that Hong Kong is becoming a services centre and that its manufacturing role is declining.

According to this view, the territory is no longer the low-cost producer it once was, has increasingly moved into higher valued-added goods, and its manufacturing base is therefore shrinking and will go on doing so.

Meanwhile, the argument runs, services being offered by the financial, trade, shipping and other support sectors are expanding and becoming more sophisticated. With the approaching change in the territory's political status, Hong Kong is set to become the services centre for the whole of south China.

Although elements of each side of this argument carry weight, its overall thrust is undoubtedly an oversimplification and may even be wrong. Hong Kong is still a major manufacturing centre. It always has been an entrepot and services centre. The role that additional financial services can play is likely to depend heavily on what needs China will have.

Among those who question the commonly held view are economists at the Hongkong and Shanghai Banking Corporation, who wrote in a recent report entitled "The Manufacturing Sector—Hong Kong's Backbone" that: "This impression of de-industrialisation is more apparent than real."

They say statistics show that the share of the manufacturing sector in gross domestic product has remained stable in the first half of this decade at around 23 per cent. The demand for supporting services generated by the manufacturing sector has been very significant: "If this indirect contribution to the economy is included as it should be, then the extent of the decline in the eminence of the manufacturing sector has undoubtedly been overstated."

Nevertheless, there must be doubts about whether manufacturing can continue to hold its own. Mr Piers Jacobs, the new Financial Secretary, has taken over an economy which is generally viewed as having already seen its period of fastest growth. After averaging real annual growth of 8 per cent in the previous six years, gross domestic product grew only 0.8 per cent last year.

Though he professes few concerns about the state of the economy at present, Mr Jacobs says: "I am a bit worried about the US for the future. I do not think that protectionist sentiments are over. They could build up and they could affect our position."

This could especially affect Hong Kong's enormous exports of textiles.

The other area of concern is the level of investment in capital goods. This has been running at a relatively low level. If Hong Kong is to continue to hold its own, many people believe investment will need to be focused on higher technology sectors. This could mean investment for a longer period than has been the custom in Hong Kong before receiving a return.

The picture for trade and the overall economy is quite healthy this year, with domestic exports picking up, inflation staying low, and unemployment virtually non-existent. The Government has shown no sign that it will change the local dollar's HK$7.80 peg to the US dollar, and therefore export competitiveness has improved as the two currencies have fallen in tandem.

Though this has naturally not added export prices to the US, sales there have grown in the first half of 1986. Domestic exports to West Germany, Japan, Canada and the UK have also been growing, but those to China and Australia have shrunk. Reflecting China's clampdown on spending of foreign exchange, its purchases from Hong Kong of capital goods and consumer durables have fallen particularly sharply.

Hong Kong's re-exports to China also dropped, though it remained the largest market for such goods as well as the most important source for them. Rising domestic exports boosted Hong Kong's imports from China, particularly of raw materials and semi-manufactured goods. Purchases from China accounted for 28 per cent of Hong Kong's imports and were 36 per cent higher than in the first half of last year.

Rising domestic demand boosted imports and created a visible trade deficit in the first half.

Hong Kong has always been extremely vulnerable to external economic developments, and seems destined to remain so unless the essential fabric of its economy alters. The US remains by far its largest market for domestic exports, and thus influences the territory crucially if its economy expands or contracts, or if protectionist pressures grow. China's economic needs will no doubt play an increasing role.

But the latest figures, at least, provide no evidence of a progressive decline in Hong Kong's traditional role. They do, however, show the now well-documented decline in electronic and electrical goods exports. While clothing and watch and clock exports rose, those of electronic components and electrical appliances both fell.

The Hongkong Bank economists argue that the "rising tide of protectionism, coupled with growing competition from newly industrialised countries, has intensified the need for speeding up the diversification of Hong Kong's manufacturing industry."

Investment in new manufacturing areas, however, does not seem to be occurring. The volume of retained imports of capital goods in first half 1986 was 4 per cent below the same period a year before, and the drop in the second half of 1985 was 12 per cent.

"The slump in industrial investment has caused considerable anxiety and doubts are naturally being raised as to whether the economic growth that Hong Kong has become accustomed to can really continue if industry is not re-equipping itself to respond efficiently to future world demand," the economists say.

Some have backed this concern with calls for a government-sponsored industrial bank to promote new investment, but this has yet to meet widespread support. If it did, it would mark a major break in a territory which has relied so heavily on private sector solutions.

But not even the view that investment in manufacturing industry is declining is universally held. Economists at Sun Hung Kai Securities, for example, say the first half fall in retained imports of capital goods, at 9.1 per cent in money terms, was largely due to a 76 per cent drop in transport equipment caused by the completion of a substantial part of the Mass Transit Railway Island Line.

"The fall in retained imports of capital goods does not reflect a slacking in investment confidence, as retained imports of industrial machinery registered a hefty gain of 67 per cent and that of construction machinery showed an increase of 39 per cent," the SHK economists say.

"Assuming prices of industrial and construction machinery have climbed by 20 per cent because of the devaluation of the Hong Kong dollar against most other major currencies, the increases remain substantial."

Turnover in industrial property also suggests a reasonably high degree of investment confidence, they say.

**Alexander Nicoll**

**Domestic exports (in value terms)**

| | 1st half 1986 ($m) | 1st half 1985 ($m) | Growth rate (%) |
|---|---|---|---|
| All countries | 65,374 | 60,408 | 8 |
| USA | 27,836 | 26,125 | 7 |
| China | 7,349 | 7,918 | -7 |
| FR Germany | 4,574 | 3,572 | 28 |
| UK | 4,226 | 3,898 | 8 |
| Japan | 2,376 | 2,053 | 16 |
| Canada | 2,191 | 1,914 | 14 |
| Australia | 1,469 | 1,585 | -7 |
| Singapore | 1,229 | 1,106 | 11 |
| Rest of the world | 14,126 | 12,257 | 15 |

Source: Hong Kong Government

**Domestic Export Comparisons**

Growth rates in real terms of domestic exports to (%)

| Year-on-year comparison | | US | China | FR Germany | UK | Japan |
|---|---|---|---|---|---|---|
| 1985/1984 | Q1 | -6 | 87 | -20 | -13 | -3 |
| | Q2 | -14 | 56 | -21 | -21 | -18 |
| | Q3 | -11 | 21 | -18 | -22 | -15 |
| | Q4 | 5 | -4 | 4 | -14 | -9 |
| 1986/1985 | Q1 | 1 | -22 | 18 | -3 | 6 |
| | Q2 | 8 | 4 | 40 | 16 | 18 |

Source: Hong Kong Government statistics.

Bank of China

# A daunting task ahead

HONG KONG'S so-called "Sister Banks"—the 13 banks gathered under the umbrella of the Bank of China—were, until just a few years ago, a ramshackle array of left-overs from the 1949 revolution.

Today, they are being galvanised to provide the funds needed for the daunting task of modernising China's moribund economy. By comparison with many of the western banks operating in Hong Kong, many remain cumbersome, bureaucratic, and desperately short on technical skills. But substantial resources are being invested to remedy this, to the point where the sister banks have now become an increasingly potent force on the local banking scene.

Since 1979, shortly after Deng Xiaoping, China's most powerful figure, formulated the open door policy intended to bring to an end more than two decades of economic isolation, the Sister Banks have become an organised force, each developing particular banking skills.

They are now second only to the Hongkong and Shanghai Banking Corporation and its "sister," the Hang Seng Bank in the British territory. They work in concert to raise funds for lending to ventures inside China, providing financial backing to prospective investors on the mainland, and funding ventures in Hong Kong where mainland Chinese corporations have a stake.

All have either already increased their authorised capital base in order to boost operations, or are in the process of doing so.

More recently, they have committed themselves to fostering "stability and prosperity" in Hong Kong—a policy that may have provided the impetus for the standby loans to ailing local banks, and to the floundering shipowning group, Orient Overseas (Holdings). The banks in the group—which in Chinese is called the "Zhongying Jituan"—were originally the Hong Kong branches of banks incorporated in different parts of China. In the wake of the 1949 revolution, all banks on the mainland were nationalised and absorbed into the People's Bank, China's Central Bank.

Today, only four are fully incorporated in Hong Kong, with the remainder maintaining the fiction of incorporation in Peking—in most cases in the form of a nameplate at the Bank of China's headquarters.

Their traditional strengths were in simple trade finance, but as they have geared up to aid China's post-1978 modernisation, so they have begun to build up skills in capital market operations, merchant banking, mortgage finance, industrial investment, and provident fund and unit trust management. Some are now handling futures and options business, and European Currency Unit (Ecu) deposits.

Excluding the one bank in Macao that forms part of the Bank of China group, the 13 banks today account for more than 250 branches, and about one fifth of all bank deposits in Hong Kong—compared with 15 per cent five years ago.

This falls far short of the Hongkong Bank group, which boasts 380 branches, and about 70 per cent of local deposits. But this ratio seems certain to change in the years ahead—in part because of an aggressive programme of expansion planned by the Sister Banks.

At a time when other banks in the territory are reducing their branch networks, each of the Sister Banks is bent on establishing new branches—some reports suggest as many as 100 over the next five years.

From a traditional base among the working-class Chinese, the Sister Banks have targeted Hong Kong's middle classes and claim successes in winning new customers from this well-to-do group. Bait has been a willingness to provide mortgages on attractive terms at a time when home-ownership is becoming financially feasible, and to offer foreign exchange bank accounts with minimum deposits significantly lower than minimums offered by other banks.

Such foreign exchange accounts offer much higher rates of interest than Hong Kong dollar accounts. The group claims that loans grew by 36 per cent last year, with deposits up 30 per cent, but refuses to provide exact figures to substantiate these claims.

Lau Chiu-Yap, deputy general manager of the Bank of China's business division, recently noted that the group had since 1984 lent over HK$10bn to Hong Kong businessmen for their operations inside mainland China.

At the same time, small industrial loans in the territory itself have grown from HK$1bn in 1983 to HK$2.4bn last year.

However, it is a measure of the comparative inefficiency that remains among the Sister Banks that among the four banks that are incorporated in Hong Kong—the Nanyang Commercial Bank, the Chiyu Banking Corporation, the Huachiao Commercial Bank, and the Posang Bank—managed rates of return last year of between 6.5 per cent and 9.4 per cent—poor by comparison with most other local banks, and far short of the 25 per cent rate of return achieved by the Hang Seng Bank.

The turning point for the banks was the arrival in 1980 of Jiang Wengui to set up the Bank of China's Hong Kong and Macao regional office. Until then, operations of the Sister Banks were unco-ordinated and often at odds with each other.

Jiang has since retired, but efforts to dovetail the different banks' operations continue. There are strict limits on the amount any Sister Bank can lend without reference to the Bank of China—HK$20m for secured loans and HK$5m for unsecured.

The banks use a common electronic clearing system—Jetro. They all use the same banking training school, which operates from three centres and handles up to 1,000 people at any one time. Most training is devoted to basic skills for junior staff, but an increasing number of more specialised courses are being mounted for senior staff.

Each of the Sister Banks has been encouraged either to build on traditional strengths, or to find a specialist niche. The Posang Bank, for example, has retained its long-standing role as a specialist in bullion dealing while, at the same time, expanding aggressively its foreign exchange operations. This growth was reflected last year in a 119 per cent rise in deposits (to HK$3.6bn) and a 75 per cent increase in lending.

The bank of Communications, is developing treasury and capital market operations, while expanding merchant banking and other wholesale banking activities.

The Nanyang Commercial Bank is credited with organising the earliest loan syndications for projects inside China, and led the group's development of credit cards and traveller's cheques.

The Sin Hua Trust, savings and commerce bank is building on close trading links with U.S. banks and businesses, while the Kincheng Banking Corporation, which has strong Japanese links, has set up a merchant banking venture with Japan called Kincheng Tokyo Finance.

Each of the Sister Banks has been allotted special responsibility for loans linked with the development of particular open cities along the coast of China.

For example, the China and south Sea Bank has a watching brief on Qingdao and Yantai in Shandong, and Hainan Island, while the National Commercial Bank focuses on the needs of Ningbo and Wenzhou in Zhejiang.

The Yien Yieh Commercial Bank oversees the needs of Qinhuangdao, while the Kwangtung Commercial Bank has close links with Zhanjiang and Guangzhou in Guangdong.

These links are not exclusive, but they are an attempt to focus investment and development efforts across China, and to encourage banks to build up a close knowledge of particular regions on the Chinese mainland.

Only recently, the Bank of China group was also called on to tap the Hong Kong money market for funds to aid development in eight major Chinese cities—Guangzhou, Tianjin, Xiamen, Fuzhou, Wuhan, Nanjing, Changzhou and Zhujiang.

The Bank of China has in its own right set up merchant banking joint ventures with a number of western banks. First was CCIC Finance, a venture with First National Bank of Chicago, the Industrial Bank of Japan, and China Resources in Hong Kong, with a venture recently established with Chemical Bank and shipping magnate, Sir Yue-Kong Pao.

In parallel with the Sister Banks, a number of other Chinese financial organisations have recently moved into Hong Kong's banking arena.

Most conspicuously, the China International Trust and Investment Corporation (CITIC) recently took control of the ailing Ka Wah Bank—perhaps hoping to build on the latter's traditional close links with overseas Chinese communities in South-East Asia. Ka Wah is now headed by Jin Deqin, who, until two years ago, headed the Bank of China group in Peking.

**David Dodwell**

**Joint Ventures**

| Foreign equity joint ventures in China, by sector | % |
|---|---|
| Property, hotels | 48.5 |
| Light industry | 20 |
| Machinery, appliances | 17.5 |
| Energy, resources | 10 |
| Others | 4 |

Source: Hongkong and Shanghai Banking Corporation.

China's viewpoint

# When Deng speaks, Hong Kong listens hard

Deng Xiaoping, the Chinese leader: his recent statements combine admission, pledge and warning

THE OCCASION chosen by Deng Xiaoping was a US television interview, a rare enough *event in itself. What the Chinese* leader said last month to his CBS interviewer in Peking covered a wide range of topics on his nation's position in the world. But he was at his most candid when making four points of key relevance to bankers, traders, contractors and entrepreneurs alike—particularly, but not only, those operating from Hong Kong.

*The statements combine* admission, pledge and warning. Deng said:

- "I do understand those complaints of foreign investors. No one would come here and invest without getting returns on their investment."
- "We are working to change the present state of affairs. We are *taking effective measures to* solve these problems."
- "When these problems are solved, new problems will arise and they should be settled."
- "To be frank, the policy (of encouraging wealth creation) will not give rise to the emergence of a new bourgeoisie under our socialist system. It is very difficult for people to become millionaires."

When Deng speaks on such matters, Hong Kong listens. The territory accounts for fully 80 per cent of foreign investment in China and a quarter of the mainland's foreign exchange *earnings. Meanwhile, some* believe China is poised this year to eclipse *the US as Hong* Kong's biggest trading partner: *the volume of mainland exports* for delivery within Hong Kong already puts it close behind.

When Deng speaks of complaints, problems and difficul*ties, though, Hong Kong knows* what he means. Factored into the trade and investment equation are a diversity of property, infrastructural and manufacturing joint ventures, products of the first half of this decade *when a pretty much untrammel*led influx of foreign-partnered activity came to the open zones of the south. Let a thousand projects bloom may have been the *idea, but:*

- Not all have done so. Shortages of equipment, services and skills have particularly beset larger industrial installations, like vehicle plants, which could have been showpiece facilities.

Moreover, creating special economic zones does not of itself generate improved output—productivity in Shenzhen, the nearest such centre to Hong Kong, was reported *to have* been 35 per cent below national average last year

- Those which have been accomplished successfully have *in large measure been too much* of the same type, making for oversupply and evidencing lack of forethought in what is meant still to be a planned economy.

Property development makes up half of all foreign joint ven*tures in China*, but the heavy bias towards luxury-class hotels has been one cause for what one long-time Peking-watcher describes as "dismay" among the leadership in *the capital*.

- In reaction to this, but more so *to a steep and severe* drain of foreign exchange—reserves down nearly 30 per cent to US$11.9bn in the 15 months to last December—a bar was put *on capital spending* in many areas as well as on direct imports. Latecomers can get in, but the cheap seats have gone.

From the point of view of *smaller Hong Kong-originated* project proposals, and of the lending banks based in the territory to which these are put, the key ingredient now lacking *is the high level of official main*land guarantee that covered earlier ventures.

In past years, exposure to irrecoverability of the invest*ment often needed to be as little* as 5 per cent of the sum involved. More thorough feasibility studies can redress this in part, but alone cannot *make China projects a growth* area sustainable at anything near previous rates.

China's self-imposed cooling-off period is far from being near an end, as some Hong Kong hopefuls think. Figures released from Peking last month for the first seven months of this year show capital investment running at 10 per cent above budgeted targets.

The total outlay of 42.3bn yuan was 7.3 per cent above the same period of 1985 although negative growth had been projected.

Significantly, the official Peking Review attributed the overshoot to *local administrators* disobeying central government orders to cancel or postpone projects—offices, hotels and tourist facilities as well as trunk *roads and those processing* plants which were not assured of energy and raw material supplies.

From their side of the border, *Hong Kong government officials* appear anxious to play down any notion that the territory's prosperity will erode in the absence of an exponential growth rate in China business. One developing country ought not to be the sole engine for the economic expansion of a sophisticated though compact marketplace, they stress.

For all this, the open-door 1980s have fuelled expectations within China's populace which can only be met, as one analyst put it recently, "by raising living standards rather than raising banners." The 1997 dimen*sion aside, the Hong Kong reser*voir of funds offers the nearest and clearest way to do so.

The territory has already become the testing ground for Chinese experiments in world banking. China is thought likely to leapfrog what has been called the "Korean stage" of massive sovereign credits, instead undertaking piecemeal commercial borrowings. As one leading local banker describes it, "A lot is being drawn from Hong Kong, not so much in big tombstone issues, but all the time."

The dozen-strong Bank of China group now operates a substantial range of retail and commercial banking business in Hong Kong. China International Trust and Investment Corporation (Citic), run in parallel as a conduit for joint ventures, has also had its brief extended to cover fund raising under its own name in the capital markets, investing in North American forest land and other natural resources, and even rescuing an ailing Hong Kong bank.

Ka Wah Bank, into which Citic earlier this year injected HK$350m to take nearly full control, is held up by mainland bankers as an illustration of Peking's wish for stability in Hong Kong's financial system. Ka Wah is now administered as part of the Citic group and is headed by Jin De-Qin, a Citic vice chairman and a former president of the Bank of China.

"Citic needs a channel to the outside world," Jin says. This thinking, however, extends well beyond Hong Kong and what he says makes clear that the territory's financial community would be ill advised to assume that it will always have first refusal on calls for funds.

Ka Wah has branches in New York, Los Angeles and Toronto, and is to be used by Citic as one means of tapping overseas Chinese resident in North America, as well as acting as a general outpost for trans-Pacific business.

Citic and other mainland financial entities have at the same time been exploring the deeper waters of the international capital markets through issues in Tokyo and Frankfurt, and have found the experience encouraging. But it is to Hong Kong on which they still largely rely for project finance, and Jin is among those keenest to throw light on the opportunities still available.

Even the hotel building sector is not entirely saturated in the southern cities, he says, just the upper end of the market. "In some areas there is still a need . . we need some more at the middle levels for tourists."

## Investments

The participation of an agency like Citic in a development project is one of the positive *indicators most sought after* by Hong Kong-based bankers when a venture partner is seeking their financial support. Now state and provincial guarantees have receded, "it is comforting to see Citic or China Traved (the tourism enterprise) involved even in no tangible way," one observes.

*Intermittent noises emerge* from Peking that Shanghai could be reopened as a capital market, while nearby Shenyang has been developing at least a *primary market in paper akin to* corporate bonds. Moves like this are read in Hong Kong with a mixture of wariness and cynicism, as if Peking felt itself *obliged occasionally* to remind the territory that there are important parts of its domain other than the capital *itself* and the Pearl River delta region with which Hong Kong is most acquainted.

But it is here, along the boulevards *of cities like Guangzhou* (Canton), that the more concrete evidence is to be found of what Hong Kong capital can do, and is still needed to do. Policemen on point duty under *Pepsi-Cola* umbrellas signal *through* streams of taxis ferrying Hong Kong businessmen from hotel to appointment in an equally *gleaming new office block*, past building sites where work continues.

On the assumption that the current Chinese period of con*solidation* will prove to be temporary, more than one Hong Kong analyst has settled on an American analogy for the future roles to be played by the regions of the mainland. This sees Peking emerging as China's Washington, with a firm but distant hand on a Hong Kong-Shenzhen-Guangzhou axis which could become its New York.

Another symbol of the enthusiasm being evidenced within the territory for a share in the many infrastructure developments for which there remains a need: a Hong Kong consortium is said to be planning a Hong *Kong-Canton highway* project, with approval hoped for by the end of this year. The road to 1997 is unlikely to be free from hold-ups, but efforts are being *made on both sides to flatten* out the bumps.

**Gordon Cramb**

Preparing for a new day: a middle-aged Hong Kong businessman limbers up with early morning exercises, adopting a technique that goes back to the days of Confucius

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
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# Plan for medium-term sector gathers momentum

EFFORTS to develop a medium-term note sector in the Euromarkets are rapidly gathering steam, writes Alexander Nicoll in London.

So far only one programme – for First Interstate – has actually seen issues. Plans have, however, recently been announced by Pepsico and Electrolux, and the latest entrant is American Life Insurance (Alico), a subsidiary of American International Group of the US.

Medium-term notes, which already have a well-developed market in the US, are continuously offered securities like commercial paper, but for longer maturities. They may usually be given any interest-rate structure depending on the needs of borrowers and especially investors.

Alico, which operates outside the US and has total assets of $2.28bn, plans to issue such securities in the Euromarkets through a programme of up to $100m devised by Morgan Stanley International, one of several dealers. Paper is to be issued starting late next month or early in November.

The notes will follow a structure similar to that used for insurance companies arranging such programmes in the US. They will take the form of participation certificates issued by Alico Trust, based in the Caymen Islands, secured on funding agreements sold by Alico to the trust. A funding agreement, though similar to a certificate of deposit issued by a bank, is technically an insurance contract and therefore enables an insurer to raise funds away from the balance sheet.

The notes represent direct participation in the funding agreement, which has a prior claim to that of bondholders over an insurer's assets. Funding agreements are given a claims pay rating by Standard and Poor's, and in the case of Alico this is triple A.

When issued, the certificates – like medium-term notes issued by any other borrower – will look exactly like Eurobonds. They will have Luxembourg listings, any interest rate structure, and any maturity between one and 10 years.

As with most new markets, the commissions for banks arranging such deals are attractive. But the labour which goes into them is also extensive, not only on creating the structure but also on developing an investor base.

Medium-term notes are clearly tailored for institutional investors wanting to match maturities and interest-rate regimens to specific portfolio needs. Although a good part of each issue is thus likely to be locked away until maturity, it is still important for such investors that they see what appears to be a liquid market with tight two-way prices.

For this reason, it is expected that two or three dealers will be brought into the Alico programme in addition to Morgan Stanley and Uberseebank, which is an AIG subsidiary.

Another, more modest, move towards securitisation was announced by Bank of Montreal Capital Markets. It has devised a £100m programme for the home loans subsidiary of Britain's Target Group, a life insurance, pensions and unit trust group which has been slowly building up a portfolio of home mortgages.

The programme, an extension of a previous loan from Bank of Montreal, will take the form of transferable substitution certificates backed by Target's residential mortgages. Interest rates are negotiated at each issue.

Hawker Siddeley, the UK engineering group, has completed a do-it-yourself revolving credit facility which, at $225m, is $25m higher than was originally targeted. Many banks are unenthusiastic about self-arranged deals for obvious reasons, and some of Hawker's relationship banks are understood to have turned down participation.

However, Hawker has persuaded seven of its key relationship banks to take part in the 7½ year committed facility, which it does not expect to draw on in normal circumstances – it is also expected to begin a Eurocommercial paper programme of similar size shortly. Terms of the facility are believed to include a margin of ⅛ above London interbank offered rates (Libor) and a facility fee of 5 basis points rising to 6.25 after four years.

Heron International Finance, part of the UK-controlled Heron group, has mandated Orion Royal Bank to arrange a $100m revolving credit facility for three years, extendible to seven. It has a spread of 15 basis points above Libor, a facility fee of 10 basis points, and utilisation fees rising to 7½ basis points if it is more than two-thirds used.

● In New York, as new product of financial ingenuity has emerged from Salomon Brothers. Called Performance Indexed Paper (or Pips), it allows commercial paper issuers to borrow at below-market rates.

This is achieved by giving investors – though they are still buying dollar paper – the chance to take a view on the dollar's performance against one of several major currencies. From both borrowers' and investors' points of view, however the whole transaction is in dollar-denominated commercial paper.

The instrument embodies concepts already in use in the currency options market. Investors earn a yield determined at maturity depending on the movement of the dollar against the chosen currency.

**EUROMARKET TURNOVER**
**Turnover ($m)**

| Primary Market | Straights | Conv | FRN | Other |
|---|---|---|---|---|
| US$ | 2,817.1 | 0.2 | 14,893.2 | 2,489.6 |
| Prev | 4,473.6 | 1.9 | 1,618.0 | 3,251.4 |
| Other | 3,329.1 | 0.2 | 3,918.8 | 275.8 |
| Prev | 2,117.9 | 77.1 | 828.8 | 125.2 |
| **Secondary Market** | | | | |
| US$ | 22,878.5 | 1,174.5 | 24,220.4 | 5,272.4 |
| Prev | 25,785.3 | 1,389.4 | 24,518.0 | 5,823.9 |
| Other | 14,021.5 | 119.8 | 4,169.8 | 4,472.4 |
| Prev | 11,683.5 | 201.8 | 3,407.3 | 4,695.9 |

| | Cedel | Euroclear | Total |
|---|---|---|---|
| US$ | 19,295.2 | 54,184.8 | 73,480.0 |
| Prev | 16,071.1 | 50,488.4 | 66,559.5 |
| Other | 13,139.0 | 17,159.4 | 30,298.4 |
| Prev | 10,874.8 | 12,262.5 | 23,137.3 |

Week to September 25 1986 Source: AIBD

The yield will, however, always be within a range specified by the investor at the outset. If he wants to take a big risk with a high potential return, then he can specify a wide range.

If the Pips investor's currency hunch was right, he earns an above-market yield. If he was wrong, the yield is below market. Salomon's parent company has kicked off with a $10m issue linked to the D-Mark.

# New $2.7bn issues restore market poise after sticky patch

THE Eurobond market last week showed some signs of recovering its poise after a distinctly rocky period, writes Alexander Nicoll in London.

A brief upturn in New York bond prices early in the week provided Eurobond syndicate managers with a glimpse of a window and they proceeded to lob $2.7bn worth of new issues through it. More than a quarter of these were accounted for by specially structured or equity-linked deals.

Although on the face of it this was an over-exuberant reaction to a modest market recovery with uncertain chances of being sustained, most deals were launched with an admirable absence of bravado.

The terms on most deals would not be seen as too aggressive in normal circumstances – if there are ever normal conditions in the Eurobond market nowadays. Nor did too many lead managers make exaggerated claims about their success.

Nevertheless, New York's mild downturn on Thursday and early Friday left a number of the new issues trading outside their fees. A significant chunk of paper was probably lodged on managers' books by the end of the week, joining what must still be a worrying overhang from past issues.

The overall mood of the market remained extremely nervous of interest rate and currency prospects following the war of words between the US and Europe. There were also doubts about whether the weekend meetings of leading industrialised countries in Washington would produce a reconciliation that could push down interest rates and stabilise currencies.

Investors obviously felt it was not worth their while entering the market in such circumstances. Where they did come in, it was to take advantage of small price gains by selling some of their holdings to professional traders. This was their reaction to remarks that offered hope from Salomon Brothers' Henry Kaufman and the Federal Reserve's Paul Volcker.

Interest was also restrained importantly by the approaching end of the Japanese half-year tomorrow.

In these conditions, it was not surprising that most of the dollar issues were from high quality names such as sovereigns and supra-nationals. Renfe's $500m floating rate note, guaranteed by Spain, was generally seen as tight but basically sensible and was being bid by Salomon Brothers within the fees. It was aided by Spain's improved credit rating as well as tax benefits arising from double taxation accords.

Belgium's fixed rate deal provided an interesting test of the market's mood. A spread of 70 basis points over US Treasuries at launch, net of fees, might have been seen as fair pricing but the market clearly viewed it as too tight.

The Metropolis of Tokyo, coming with Japan's guarantee, appeared fairly priced at 66 basis points over Treasuries but was not snapped up. The European Investment Bank, launched at 45 basis points over Treasuries, moved slowly. Nordic Investment Bank's issue was seen as over-aggressive.

Given the difficulty of placing regular issues and the need of Eurobond houses to attempt to make profits, it was not surprising to see a continuing rash of specially structured deals tailored for specific investors and heavily pre-placed with them. For some issues, there was no trading level because they were locked up before launch.

Such deals included Investors in Industry and Finland. The vogues continued for high coupon deals, aimed at Japanese insurance companies, and for bull and bear type issues, including a Denmark deal which was the first to be linked to the gold price.

The market clearly thinks gold is set to rise further for the bull tranche did well and the bear tranche poorly. Among equity linked issues which did well were those for Elf Aquitaine and Fisons.

Japanese bonds with equity warrants, issues of which have slowed recently following falls in the Tokyo stock market, saw an important move on Friday when Ebara indicated a 3⅝ per cent coupon, responding to widespread market belief that coupons must be increased.

Among other issues launched on Friday was a C$75m deal for Montreal Urban Community, a high coupon bond from Compagnie Générale d'Electricité, and yet another issue from ICN Pharmaceuticals, this time a dollar convertible.

A bumpy ride was to be had last week in the Eurosterling bond market. Prices fell as fears mounted that interest rates would have to be increased to support the pound. Dealers said there was a severe lack of confidence in the sector.

In West Germany and France, investment interest was muted, reflecting currency and interest rate uncertainties, and prices fell slightly. A D-Mark issue by a Midland Bank subsidiary fluctuated after launch, weakening on Friday to be bid at discounts equal to the total fees.

The Swiss market saw gains of ¼ to ½ a point, helped by New York's gains earlier in the week. Echo Bay Mines' issue with warrants to buy gold met an enthusiastic response and was increased from SFr 75m to SFr 110m. Its coupon was reduced from 4 to 3¾ per cent, and the unofficial market price was 105.

# Quaker offers $792m for Anderson, Clayton

BY WILLIAM HALL IN NEW YORK

QUAKER OATS, the Chicago food company, has offered to buy Anderson, Clayton, the Houston food processor, for $792m and is asking the courts to block Ralston Purina, one of its biggest competitors, from making a rival bid.

Quaker Oats, the earlier plans of which to buy Anderson, Clayton's pet food business collapsed after two New York investment banks withdrew from the battle for Anderson, Clayton, made clear on Friday that it was intent on continuing the battle for control of Anderson, Clayton. Quaker Oats' action appeared to have caught Ralston Purina off-guard. Although the company's board of directors met on Friday, company officials were unable to say whether the board had recommended that Ralston Purina proceed with its proposed bid.

Less than a day after it disclosed it had acquired a 23 per cent stake in Anderson, Clayton, Quaker Oats said it was prepared to pay $65 a share for Anderson, Clayton, topping a rival $62 per share proposal by Ralston Purina, which emerged on the scene just over a week ago.

Following Ralston Purina's offer, Bear Stearns and Gruss and Company, two New York investment banks which had been trying to acquire the company since May, dropped out of the running.

However, Quaker Oats made it clear on Friday it was not going to back down from its bid to take over Anderson, Clayton and this was reflected on Wall Street where Anderson, Clayton's shares jumped by $4½ to $70. Late on Friday Quaker Oats disclosed it had filed an anti-trust law suit in a US district court in Washington DC alleging that if Ralston Purina's bid for Anderson Clayton was successful it would "substantially lessen competition in the pet foods industry and eliminate Quaker as an effective competitor to Ralston."

Quaker Oats shares rose by $1 to $73 on Friday, capitalising the company at $2.89bn while Ralston Purina's shares rose by $¼ to $63¼ capitalising the company at $4.8bn.

# Vons to take control of chain of supermarkets

BY OUR NEW YORK STAFF

VONS COMPANIES, a southern Californian supermarket chain acquired by a group of wealthy investors in January, is to take over Detroit-based Allied Supermarkets in a $660m deal. The move will enable Vons' institutional backers to take much of their profit on their nine-month-old investment.

The transaction, which will create a publicly quoted food retailer with annual turnover of $3.5bn, is the latest sign of the upheaval in the US retailing industry.

Vons was spun off from Household International in a leveraged management buy-out earlier this year financed by a group of investors including the Bass brothers of Texas, Donaldson Lufkin and Jenrette and Equitable Life. It is the leading supermarket chain in southern California with 1986 revenues of $3bn, and 190 supermarkets.

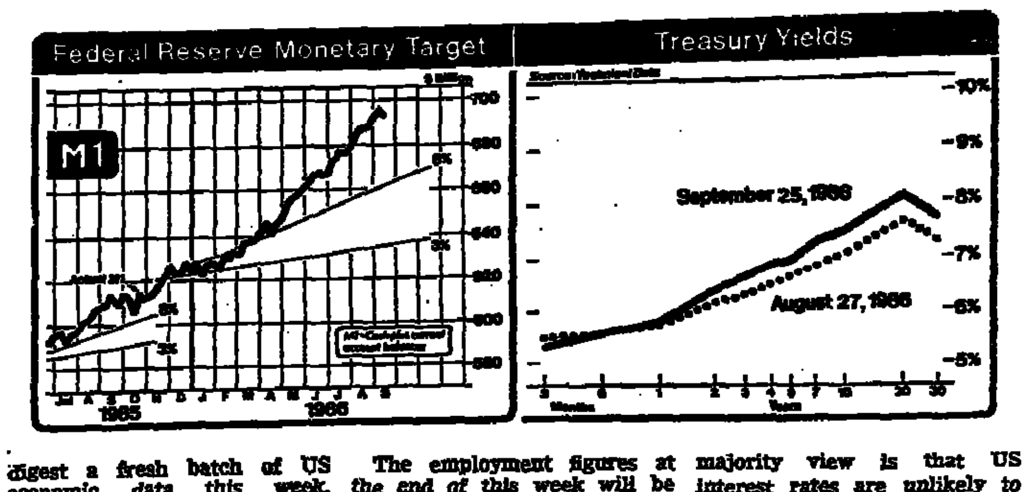
Allied Supermarkets, which emerged from the bankruptcy courts five years ago and the shares of which are listed on the New York Stock Exchange, is one of the largest retail and wholesale food marketers in Detroit and has annual sales of $386m and a staff of 1,700.

Under the deal a new, publicly-held holding company called the Vons Companies will be formed and will have two autonomous operating units, Vons in California and Allied in Detroit.

# INTERNATIONAL CAPITAL MARKETS

## US MONEY AND CREDIT

# Wall Street shakes off some of its gloom




BOND PRICES rallied last week for the first time in almost a month but gains of around two full points among long government bonds could only recoup part of the dramatic losses suffered since the sharp sell-off which began after the Labor Day weekend. Traders remain very uncertain.

The optimists detected a subtle improvement in mood last week. News of a smaller-than-expected 0.2 percentage point rise in the August consumer price index, a surprisingly large 2.6 per cent drop in August durable goods orders, and a firmer tone in the dollar which ended the week at DM 2.05, all contributed to the improvement.

**US MONEY MARKET RATES (%)**

| | Last Friday | 1 week ago | 4 wks ago | 12-month High | Low |
|---|---|---|---|---|---|
| Fed Funds (weekly average) | 5.84 | 5.88 | 5.86 | 9.91 | 5.82 |
| Three-month Treasury bills | 5.21 | 5.25 | 5.16 | 7.40 | 5.11 |
| Six-month Treasury bills | 5.36 | 5.46 | 5.15 | 7.41 | 5.15 |
| Three-month prime CDs | 5.75 | 5.80 | 5.40 | — | — |
| 30-day Commercial Paper | 5.75 | 5.78 | 5.56 | 8.05 | 5.56 |
| 90-day Commercial Paper | 5.70 | 5.78 | 5.46 | 7.96 | 5.45 |

**US BOND PRICES AND YIELDS (%)**

| | Last Friday | Change on week | Yield | 1 week ago | 4 wks ago |
|---|---|---|---|---|---|
| Seven-year Treasury | 99⅝ | +⅞ | 7.28 | 7.46 | 6.73 |
| 20-year Treasury | 112⅛ | +2⅛ | 8.07 | 8.43 | 7.51 |
| 30-year Treasury | 99⅞ | +2⅛ | 7.63 | 7.83 | 7.29 |
| New 10-year "A" Financial | N/A | +1⅛ | 8.50 | 8.75 | 8.00 |
| New "AA" Long utility | N/A | +2⅛ | 9.32 | 9.50 | 8.00 |
| New "AA" Long Industrial | N/A | +1⅛ | 9.13 | 9.25 | 8.53 |

Money Supply: In the week ended September 15 M1 fell by $4.6bn to $691.3bn.

Source: Salomon Bros (estimates).

Aubrey G. Lanston notes in its latest market letter that the major economic data released last week "reinforced the view that the US economy is continuing to grow at a modest pace and that inflation remains relatively subdued." The Federal Open Market Committee (FOMC) met last week and, although Salomon Brothers says that "the hint of a slight tugging on the credit reins" disturbed some market participants toward the end of the week, it is highly unlikely that the Federal Reserve has changed policy, given continued economic sluggishness.

Salomon believes that the Fed's posture will continue to be "accommodative" with the Fed Funds rate pegged in the 5⅞ per cent to 6 per cent range. However, concern about the strength of the economy and the Fed's monetary stance are currently being overshadowed by events on the international economic stage, and the US financial markets are desperately trying to interpret correctly the smoke signals coming out of the various meetings.

Mr Paul Volcker, chairman of the Federal Reserve, told Congress last Wednesday that he thought "we are now reasonably close to an appropriate adjustment" for the dollar, which the markets took to mean that he thought the dollar had fallen far enough. His statement seemed to be at odds with the recent pronouncements of Mr James Baker, the Treasury Secretary, who has been telling the Europeans and Japanese that the dollar would have to fall further unless other countries did not step up their economic growth.

By the end of last week the finance ministers of the world's five richest countries were huddled together in the US Treasury and while there was no official communique from their meeting it was clear that they were anxious to play down the noisy transatlantic squabble about exchange rates and interest rates ahead of this week's joint meeting of the World Bank and the International Monetary Fund in Washington.

West Germany's refusal to cut its discount rate—confirmed at a meeting of the Bundesbank council on Thursday—and the US response of talking down the value of the dollar have shown that last year's much vaunted spirit of international economic co-operation has turned into discord which is unsettling the financial markets.

"The key countries will likely work out some conciliatory statement, but the markets will be looking closely at the true substance of any verbal rapprochement," says Salomon Brothers' Dr Henry Kaufman. Mr Bill Griggs, of Griggs and Santow, says: "If we get a vague communique that says we intend to do something, sometime, then it looks like the dollar and our market will be in trouble." However, if the ministers produce an agreement to cut interest rates or stabilise currencies, then Mr Griggs thinks that the bond markets will react positively.

Aside from worrying about what is happening in the international monetary arena, Wall Street will also have to digest a fresh batch of US economic data this week. Tomorrow's August trade figures will be especially interesting, given the way the financial markets plunged in the aftermath of last month's announcement of an $18bn deficit in July. Analysts are estimating a $16bn deficit and a 0.2 percentage point rise in the August index of leading economic indicators, which will also be released tomorrow.

The employment figures at the end of this week will be even more important than the trade figures, says Salomon Brothers. Analysts believe that the unemployment rate in August will probably be unchanged at 6.8 per cent but any change in civilian payroll employment outside of the 200,000 to 250,000 range could change the market's tone.

Although the credit markets are in an uncertain mood, the majority view is that US interest rates are unlikely to move sharply higher from current levels. Long-term government bond yields fell by 20 basis points last week to around 7.6 per cent, and most economists are predicting that longterm government bonds will be trading at current yields or less by the year-end.

**William Hall**

## UK GILTS

# Dealers peer ahead to money-supply figures

AFTER THE bombardment of statistics and announcements that hit them during the official gilts market dress rehearsal on Saturday, gilts traders will this morning be looking forward to a week with barely a sprinkling of statistics and—barring any new bombshells arising from the International Monetary Fund and World Bank meetings—relative calm following the G5 and G7 talks over the weekend.

Traders had to cope with the money supply, public sector borrowing requirement and retail price index, a US gross national product "flash" estimate—suppressed in the US but restored for the purposes of Saturday's dry run—not to mention a cut in bank base rates and two taplets, all compressed into a two-hour trading day.

This week, however, the only significant UK statistic the gilts market will have to look at is the announcement of the official reserves of gold and currency at the end of September. This could provide some interest in the light of the Bank of England's repeated intervention in the foreign exchange markets last week, but the authorities, at least, will be hoping that it is more of a postscript to the events of the past few weeks than the trigger for any new market move.

The respite is likely to be short, however. Market analysts have already cast their eyes forward to the UK money supply in the September banking month — the last before the changeover to calendar month calculations — which is due to be announced provisionally on Tuesday next week. They do not like what they see.

The dummy figures put out by the Bank of England for Saturday's market practice showed both M0, the narrow measure of money, and the broader sterling M3, rising by between 0 and ½ per cent during the month to give year-on-year growth rates of 3½ per cent and 18½ per cent respectively. Clearly, if the gilts market analysts are even remotely right, someone at the Bank has been indulging in wishful thinking.

The overwhelming majority of analysts are in fact projecting rather a sharp jump in sterling M3, largely due to an increase in the forecast public sector borrowing requirement with relatively few offsetting sales of government debt to the private sector.

Pushing up the PSBR are the large petroleum revenue tax rebates paid early in September. Since the norm over recent years has been for large PRT receipts in September, the seasonal adjustments will not only make no allowance for this drop but will actually exaggerate it.

W. Greenwell, the broker, estimates the PSBR at more than £4bn, during the banking month, offset by gilt sales of around £300m and another £400m of other domestic and external public sector financing. This leaves underfunding of £3.5bn, and added to a relatively modest forecast of £1.5bn for bank lending and other counterparts contractionary by £400m makes sterling M3 rise by £4.6bn or 3¼ per cent.

Goldman Sachs, the US-based investment house, has a milder assessment of the PSBR, projecting it at £3.1bn—still exceptionally high in most conditions—after adjusting for sales of debt by public corporations and local authorities. Net debt sales, however, it assesses at zero, and bank lending is estimated to have remained strong at £2.5bn.

Overall, the Goldman forecast is for sterling M3 growth of £4.9bn or 3½ per cent.

At broker L. Messel, Mr Tim Congdon is even more pessimistic. His central view is that sterling M3 rose by a massive £5½bn in banking September, equivalent to 3¾ per cent.

It is possible to argue that anyone who still cares about sterling M3 has already sold their gilts, yet if the figures eventually come out anywhere near to these forecasts there seems certain to be considerable grief in the market.

"Some of the expansion this month will wash out over the rest of the year, but these figures are genuinely bad in themselves because of the funding aspect," commented Mr Richard Jeffrey of broker Hoare Govett. "The authorities are not selling the gilts."

**George Graham**



## FT/AIBD INTERNATIONAL BOND SERVICE

| US DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| AHFC O/S Fin 11¾ 94 | 100 | 102⅝ | −1 | 10.95 |
| AIDC 11 88 | 75 | 107½ | −0⅛ | 7.36 |
| Alcan Australia 9½ 89 | 25 | 99 | −0⅛ | 8.46 |
| Amer Saving 12 88 | 125 | 105⅝ | 0 | 9.16 |
| Amer Saving 12⅝ 89 | 100 | 107⅛ | +0⅛ | 9.08 |
| Asian Dev Bk 11¾ 93 | 100 | 0 | | |
| Australia 9⅞ 91 | 60 | 101¼ | 0 | 8.31 |
| Australia 11¼ 90 | 100 | 112⅞ | +0⅛ | 7.53 |
| Australia 11¾ 98 | 100 | 119⅝ | +0⅞ | 8.86 |
| Austria 15½ 88 | 75 | 111⅞ | −0⅛ | 6.69 |
| Avon Fin 10⅜ 92 | 100 | 107⅝ | +2⅛ | 9.00 |
| Bk Nova Scotia 13⅝ 87 | 100 | 105⅝ | +0⅛ | 6.05 |
| Bank of Tokyo 12⅞ 92 | 95 | 115½ | −0⅛ | 8.80 |
| Bank of Tokyo 13⅞ 91 | 100 | 123 | +0⅛ | 7.88 |
| Bank of Tokyo 13⅞ 89 | 100 | 116⅝ | 0 | 7.48 |
| BMW O/S Ents 10⅜ 91 | 50 | 108⅝ | +0⅛ | 7.98 |
| BP Capital 11⅞ 92 | 150 | 110⅝ | +0⅛ | 8.82 |
| Br Col Hydro 12½ 14 | 200 | 0 | | |
| Br Col Hydro 12½ 13 | 250 | 128⅝ | +0½ | 9.82 |
| Br Col Hydro 13⅞ 88 | 150 | 110⅝ | +0⅛ | 6.90 |
| Britoil Fin 11⅞ 90 | 125 | 108⅝ | +0⅛ | 9.31 |
| Caisse Nat En 11⅞ 95 | 125 | 120⅝ | +0⅛ | 8.24 |
| Canada 10⅞ 88 | 500 | 108 | 0 | 6.60 |
| CBS Inc 11⅞ 92 | 100 | 108⅝ | −0⅛ | 9.85 |
| Centrust S & L 0 10 | 1.2bn | 10⅛ | +0⅛ | 10.20 |
| Cheesebrough 12 93 | 100 | 111 | +0⅛ | 9.52 |
| Chubu Elec Pwr 13¾ 91 | 50 | 108 | 0 | 11.04 |
| Citicorp 10 88 | 200 | 105½ | −0⅛ | 6.76 |
| Citicorp 11⅞ 92 | 100 | 105⅝ | −1⅞ | 10.57 |
| Citicorp 11⅞ 97 | 200 | 111 | +2⅛ | 9.98 |
| Citicorp O/S 10⅝ 90 | 100 | 102⅝ | +0⅛ | 9.63 |
| Citicorp O/S 11¾ 90 | 100 | 103⅝ | −0⅛ | 10.63 |
| CNCA 11½ 92 | 125 | 115⅝ | +0⅛ | 7.98 |
| CNCA 13¾ 91 | 100 | 120⅝ | +0⅛ | 7.77 |
| Coastfed Int 12⅝ 88 | 125 | 108⅝ | +0⅛ | 7.53 |
| Coca-Cola 11¾ 88 | 100 | 109½ | −0⅛ | 6.93 |
| Cn Fn de Paris 13⅞ 88 | 100 | 108 | +0⅛ | 10.54 |
| Continental Grp 11½ 93 | 75 | 105⅞ | −0½ | 10.25 |
| Creditanstalt 13⅞ 91 | 100 | 118 | −1 | 8.08 |
| Daiichi Kangyo 12⅝ 90 | 100 | 114⅝ | −0⅛ | 7.78 |
| Denmark 10⅞ 90 | 100 | 106⅞ | +0⅞ | 9.11 |
| Denmark 11½ 92 | 100 | 114½ | −0⅛ | 8.14 |
| Denmark 12¼ 93 | 100 | 111½ | 0 | 9.95 |
| Denmark 12¾ 92 | 250 | 101⅝ | −0⅛ | 12.31 |
| Denmark 13 91 | 100 | 119⅝ | 0 | 7.85 |
| Denmark 13 92 | 100 | 101⅝ | +0⅛ | 12.57 |
| Denmark 13⅜ 91 | 100 | 121 | +0⅛ | 8.07 |
| Denmark 14 87 | 100 | 112⅝ | 0 | 10.82 |
| Digital Equip 11⅜ 89 | 150 | 109⅞ | +0⅛ | 7.44 |
| Dutch St Mines 11⅝ 91 | 150 | 108⅝ | +0⅛ | 9.42 |
| Eksportfinans 11⅞ 92 | 100 | 113⅞ | −0⅛ | 8.09 |
| Eksportfinans 11½ 90 | 100 | 109 | 0 | 8.83 |
| Elec de France 11⅞ 88 | 100 | 116 | +0⅛ | 7.95 |
| Elec de France 12⅝ 87 | 150 | 106½ | +0⅛ | 6.36 |
| EEC 9⅝ 90 | 350 | 105⅞ | +0⅛ | 7.80 |
| EEC 11 87 | 350 | 103½ | +0⅛ | 8.12 |
| EEC 11⅞ 90 | 100 | 111⅜ | +0½ | 7.37 |
| Elf-Aquitaine 10⅝ 89 | 100 | 108⅝ | +0⅛ | 7.60 |
| Ericsson L M 10⅞ 88 | 100 | 103⅝ | −0⅛ | 7.12 |
| Euro Inv Bk 11½ 90 | 200 | 114½ | +0⅛ | 7.57 |
| Euro Inv Bk 11⅝ 91 | [illegible] | 0 | | |
| Euro Inv Bk 12½ 90 | 100 | 116⅞ | 0 | 7.30 |
| EDC 9⅞ 88 | 200 | 105 | 0 | 6.70 |
| EDC 10 88 | 125 | 104⅝ | +0⅛ | 6.45 |
| EDC 10⅝ 88 | 100 | 105⅝ | +0⅛ | 6.37 |
| EDC 11⅛ 89 | 150 | 108⅝ | 0 | 6.86 |
| EDC 12 89 | 100 | 112⅞ | 0 | 7.20 |
| EDC 13⅜ 87 | 100 | 108⅝ | +0⅛ | 6.28 |
| Fed Dept Store 11 90 | 100 | 110⅝ | +0⅛ | 7.33 |
| Finland 11½ 88 | 100 | 108⅝ | +0⅛ | 6.51 |
| Finland 12⅝ 94 | 75 | 122½ | −0⅛ | 8.33 |
| Finnish Export 12⅝ 87 | 75 | 108⅝ | +0⅛ | 6.51 |
| Firstfed Mich 1 13⅝ 89 | 125 | 112⅝ | +1⅞ | 8.11 |
| Florida Fed 12⅝ 89 | 100 | 107 | +0½ | 9.23 |
| FNMA 11.5 91 | 300 | 0 | | |
| Gen Elec Cred 0 96 | 600 | 43⅝ | −0⅛ | 8.81 |
| Gen Elec Cred 9⅞ 91 | 100 | 105⅛ | −0⅛ | 8.35 |
| Gen Elec Cred 10⅝ 90 | 200 | 106½ | +0⅛ | 8.47 |
| Gen Elec Cred 11 91 | 200 | 106⅝ | 0 | 9.07 |
| Gen Elec Cred 11½ 87 | 200 | 105 | 0 | 10.76 |
| Gen Elec Cred 12 94 | 200 | 115½ | +1⅛ | 9.32 |
| Gen Foods Cap 11½ 90 | 75 | 109⅝ | +0½ | 8.22 |
| General Mills B 12 91 | 100 | 113½ | 0 | 8.77 |
| Gen Motors Acc 10½ 90 | 200 | 104⅝ | −0⅛ | 8.99 |
| Gen Motors Acc 11⅝ 90 | 100 | 107⅝ | +0⅛ | 9.08 |
| GMAC 10 92 | 250 | 106⅝ | +0⅛ | 8.60 |
| GMAC 10 88 | 200 | 104⅛ | 0 | 6.72 |
| GMAC O/S Fin 15⅝ 87 | 100 | 108 | +1⅞ | 10.83 |
| GTE Finance 12 96 | 75 | 102⅝ | −0⅛ | 11.52 |
| Gulf Oil 10⅝ 94 | 100 | 105½ | +2⅞ | 9.25 |
| GZB 14 91 | 100 | 120⅝ | +0⅛ | 8.49 |
| Holl Air Fin 12⅝ 91 | 100 | 107⅝ | +0⅛ | 10.17 |
| Household Fin 11⅝ 92 | 100 | 111⅜ | −0⅛ | 8.85 |
| IBM 9⅞ 88 | 200 | 103⅝ | 0 | 9.10 |
| IBM (WCT) 10⅞ 89 | 300 | 105½ | +0⅛ | 9.61 |
| IBM Credit 11 89 | 100 | 105⅝ | 0 | 8.84 |
| IC Industries 8⅞ 87 | 35 | 100⅝ | −0⅛ | 8.46 |
| IC Industries 12 90 | 75 | 0 | | |
| Inco 9 92 | 100 | 99⅝ | +0⅛ | 9.16 |
| Ind Bk Japan 10⅝ 92 | 100 | 110 | 0 | 8.55 |
| Ind Bk Japan 10⅝ 88 | 100 | 106⅝ | 0 | 6.42 |
| Ind Bk Japan 10⅞ 95 | 100 | 113⅜ | +1⅛ | 8.93 |
| Ind Bk Japan 11½ 88 | 125 | 107⅞ | +0⅛ | 7.85 |
| Int-Amer Dev 12⅝ 91 | 150 | 120⅛ | +0⅛ | 7.78 |
| Int-Amer Dev 11⅝ 94 | 200 | 120⅝ | +0½ | 8.31 |
| Int Paper 12 91 | 75 | 106⅝ | 0 | 10.09 |
| Int Stand Elec 0 97 | 112 | 36⅝ | −0⅛ | 10.11 |
| Int Stand Elec 12 96 | 75 | 109⅝ | +1½ | 10.39 |
| ITT 11½ 89 | 125 | 111 | +2⅜ | 7.47 |
| ITT Credit Corp 10½ 90 | 75 | 107⅛ | +0⅛ | 8.31 |
| Japan Airlines 12⅝ 94 | 70 | 120 | +0⅛ | 9.28 |
| Japan-Dev Bk 10⅝ 92 | 50 | 0 | | |
| Kellogg Co 10⅞ 90 | 100 | 107⅞ | +0⅛ | 8.28 |
| Kellogg Co 11⅝ 92 | 100 | 111⅜ | +1 | 8.63 |
| Kiewit 10⅝ 90 | 100 | 106⅝ | +0⅞ | 8.13 |
| Kimberley-Clark 12 94 | 100 | 119⅝ | 0 | 8.64 |
| Kyowa Fin HK 12⅞ 90 | 100 | 115½ | +4 | 8.99 |
| Long Term Cred 10⅝ 90 | 100 | 108⅝ | 0 | 7.73 |
| Long Term Cred 11 90 | 100 | 109½ | 0 | 7.77 |
| Long Term Cred 11⅞ 89 | 100 | 109⅝ | +0⅛ | 7.47 |
| Long Term Cred 12 93 | 100 | 119⅝ | −0⅛ | 8.20 |
| Macy R H 11⅝ 91 | 100 | 105 | −0½ | 10.10 |
| Marubeni 11⅝ 91 | 100 | 103 | −5 | 10.57 |
| McDonalds Fin 11⅝ 94 | 75 | 105⅝ | −0⅛ | 9.98 |
| Merrill Lynch 12⅝ 89 | 100 | 106⅝ | +0⅛ | 10.21 |
| Michelin 7⅞ 88 | 56 | 98⅝ | −0⅛ | 8.34 |
| Mitsubishi Corp 10½ 92 | 100 | 106½ | +1 | 8.62 |
| Mitsubishi Corp 10⅝ 95 | 200 | 107½ | +0½ | 9.31 |
| Mitsubishi Corp 12⅝ 91 | 100 | 119 | +0½ | 7.58 |
| Mitsubishi Est 10⅝ 92 | 50 | 106⅝ | +0⅛ | 8.90 |
| Mitsubishi Est 11⅝ 88 | 50 | 106⅞ | +0⅛ | 6.81 |
| Mitsui Fin Asia 12⅝ 92 | 100 | 114½ | −0⅛ | 8.73 |
| Mitsui Tst Fin 12 91 | 100 | 114½ | +1⅛ | 7.98 |
| Mobil Corp 10⅝ 90 | 200 | 110 | +6⅛ | 10.21 |
| Montreal City 12⅝ 91 | 70 | 115 | +0⅛ | 8.33 |
| Mgn Guaranty 12⅝ 89 | 150 | 111 | +0⅛ | 7.48 |
| Morgan J P 11⅛ 92 | 100 | 105⅝ | +0⅛ | 8.98 |
| Mount Isa Fin 13⅝ 87 | 100 | 104⅝ | +0⅛ | 7.03 |
| Ned Gasunie 11⅝ 90 | 75 | 111⅝ | 0 | 7.96 |
| Ned Gasunie 11⅝ 91 | 75 | 109½ | −0⅛ | 9.37 |
| N Eng Lf Mtg 11⅝ 95 | 149 | 113⅞ | +0⅛ | 9.35 |
| Newfoundland 13 91 | 75 | 115⅝ | −0⅛ | 8.66 |
| Nippon Cred Bk 13⅞ 89 | 100 | 115½ | 0 | 7.43 |
| Nippon Cred Bk 9⅝ 93 | 50 | 99½ | −0⅛ | 11.47 |
| Nippon Tel Tel 11⅝ 90 | 100 | 109⅞ | −0⅛ | 8.15 |
| Nippon Tel Tel 12⅝ 91 | 100 | 119⅞ | −0⅛ | 7.73 |
| Nissho Iwai 10⅝ 92 | 100 | 0 | | |
| Nova Scotia 11⅝ 91 | 100 | 106⅝ | +0½ | 9.79 |
| Nova Scotia 11⅝ 98 | 100 | 113⅝ | +1 | 9.70 |
| Oester Post 12⅝ 88 | 75 | 110½ | −0⅛ | 7.54 |
| Ontario Hydro 11⅝ 94 | 200 | 119⅝ | +0⅛ | 8.07 |
| Ontario Hydro 11⅝ 90 | 200 | 114½ | +0⅛ | 7.54 |
| Ontario 12½ 94 | 250 | 132⅝ | +9⅞ | 8.37 |
| Orient Fin 11 92 | 50 | 0 | | |
| Pacific Gas & Elec 12 00 | 75 | 114⅝ | +1⅞ | 10.00 |
| Penney J C 11⅞ 90 | 100 | 102⅞ | −1⅛ | 10.95 |
| Penney J C 12⅝ 91 | 100 | 112 | +4⅛ | 11.92 |
| Postipankki 11⅛ 90 | 75 | 109 | +0⅛ | 8.22 |
| Post-Och Kred 13½ 87 | 50 | 106⅛ | +0⅛ | 5.92 |
| Privatbanken 12½ 95 | 100 | 118 | −1⅛ | 9.29 |
| Prudential Ins 12⅝ 87 | 150 | 106⅝ | +0⅛ | 6.32 |
| Pru Rlty Secs 0 99 | 365 | 33½ | −0⅛ | 9.34 |
| Pru Rlty Secs 11⅞ 92 | 365 | 109 | +0⅛ | 9.73 |
| Pru Rlty Secs 12⅝ 95 | 545 | 115⅝ | +1⅛ | 9.48 |
| Quebec Prov 12¼ 94 | 150 | 115 | +0⅛ | 9.26 |
| Queensland Gvt 11⅝ 89 | 100 | 110⅝ | +1 | 7.58 |
| RBC 11⅛ 90 | 100 | 110 | +1⅛ | 7.70 |
| Rural Bk Aust 12 91 | 50 | 110⅝ | −0½ | 8.79 |
| Sanwa Bank 11⅞ 92 | 150 | 112½ | −0⅛ | 8.90 |
| Sanwa Intl 11½ 92 | 100 | 114⅝ | −1⅛ | 8.22 |
| Saskatchewan 10⅝ 92 | 100 | 110⅝ | +0½ | 8.30 |
| Saskatchewan 10⅝ 90 | 125 | 109 | +0½ | 7.71 |
| Saskatchewan 11⅞ 88 | 100 | 111⅝ | +0⅛ | 7.66 |
| Saskatchewan 15 92 | 150 | 129⅝ | −0⅛ | 8.51 |
| Saskatchewan 16 89 | 125 | 118⅝ | −0⅛ | 7.49 |
| Scot Intl Fin 10⅝ 90 | 50 | 108⅝ | +0⅛ | 8.07 |
| Sears O/S Fin 0 98 | 500 | 33⅞ | 0 | 9.61 |
| Sears O/S Fin 11⅝ 93 | 150 | 116⅝ | −0⅛ | 8.60 |
| Sears Roebuck 10½ 91 | 150 | 108½ | 0 | 8.90 |
| Sears Roebuck 11⅝ 91 | 150 | 112⅞ | −0⅛ | 8.02 |
| Sec Pacific 10½ 88 | 100 | 105½ | −0⅛ | 6.79 |
| Shearson/Amex 12⅛ 94 | 100 | 115⅝ | −0⅛ | 8.89 |
| Shell (Canada) 14⅝ 92 | 125 | 114⅝ | −0⅛ | 10.60 |
| Signal Comps 11⅝ 92 | 125 | 109 | −0½ | 9.42 |
| Standard Oil 10½ 89 | 150 | 103⅝ | 0 | 8.70 |
| Statoil 12 88 | 100 | 107⅝ | 0 | 6.60 |
| Sumitomo F A 10⅞ 90 | 100 | 108⅝ | −1 | 8.02 |
| Sumitomo Fin 11⅝ 92 | 150 | 115⅝ | 0 | 8.03 |
| Sumitomo Fin 12½ 91 | 150 | 117⅝ | −0⅛ | 8.01 |
| Sumitomo Trust 12½ 92 | 100 | 115½ | −1⅛ | 8.75 |
| Sweden 11½ 89 | 200 | 111⅜ | −0⅛ | 7.32 |
| Sweden 12⅝ 89 | 200 | 111⅞ | 0 | 7.19 |
| Swedish Export 7½ 93 | 100 | 97½ | 0 | 7.98 |
| Swedish Export 11⅛ 89 | 100 | 109½ | 0 | 7.17 |
| Swedish Export 12⅝ 89 | 100 | 110⅞ | −0⅛ | 8.48 |
| Taiyo Kobe 11⅞ 90 | 100 | 0 | | |
| Tenneco Corp 11½ 89 | 150 | 105 | −0⅛ | 8.95 |
| Texaco Capital 10⅞ 90 | 200 | 99⅝ | +0⅞ | 10.74 |
| Texaco Capital 11⅝ 95 | 250 | 100⅝ | +0⅛ | 10.98 |
| Texaco Capital 13½ 89 | 200 | 106⅝ | +0⅛ | 10.83 |
| Texas Instru 11⅞ 91 | 150 | 109⅝ | +0⅛ | 9.55 |
| Tokai Asia 11½ 95 | 100 | 119⅞ | +0⅛ | 8.65 |
| Tokai Asia 12⅝ 91 | 100 | 114½ | +0⅛ | 8.28 |
| Tokyo Elec Pr 13⅞ 89 | 100 | 0 | | |
| Toray Inds 11⅞ 92 | 50 | 0 | | |
| Toronto-Dom 12⅝ 89 | 50 | 110⅝ | −0⅛ | 7.97 |
| UBS 12⅝ 91 | 150 | 108½ | 0 | 9.86 |
| Utd Tech 11⅝ 92 | 150 | 112⅞ | +1⅛ | 8.54 |
| Vebe 8 93 | 70 | 236 | 0 | 0.00 |
| West Lb 11⅝ 90 | 100 | 111 | −1⅛ | 8.63 |
| Westpac 12⅝ 92 | 100 | 116 | −0⅛ | 8.72 |
| Weyerhaeuser 11½ 90 | 60 | 105⅝ | +0⅛ | 9.89 |
| World Bank 11 92 | 300 | 114⅝ | +0⅛ | 7.67 |
| World Bank 11⅝ 90 | 200 | 112½ | +0⅛ | 7.40 |
| World Bank 11⅝ 89 | 200 | 109⅝ | +0½ | 6.97 |
| World Bank 12 93 | 200 | 121⅝ | +0½ | 7.90 |
| World Bank 16 88 | 150 | 114⅝ | +0⅛ | 6.57 |
| World Bank 16½ 88 | 100 | 119⅝ | +0⅛ | 6.14 |
| Yasuda Trust 12⅝ 89 | 100 | 110⅝ | +0½ | 7.98 |

| FLOATING RATE NOTES | Issued | Price | Chg. on week | C.cpn |
|---|---|---|---|---|
| Allied Irish ⅛ 95 | 100 | 100⅛ | 0 | 7⅝ |
| Allied Irish ½ perp | 100 | | 0 | 7⅞ |
| Arab Bank Corp ⅛ 96 | 100 | 99 | 0 | 6⅝ |
| Banco di Roma ⅛ 99 | 150 | 100⅛ | 0 | 7⅝ |
| Banco di Rm ⅛ 92 CU | 75 | 100 | +0⅛ | 7⅞ |
| Bankamerica O/S ⅛ 96 | 400 | 99⅝ | +1⅛ | 7⅝ |
| Bankers Tr NY ⅛ 94 | 200 | 100⅛ | 0 | 7⅛ |
| Bank Montreal ⅛ 94 £ | 100 | 100⅛ | +0½ | 10 |
| Bqe Nat Paris ⅛ 88 | 400 | 101⅛ | 0 | 5⅞ |
| Bqe Nat Paris ⅛ 95 | 400 | 102⅛ | +0⅛ | 6⅝ |
| Barclays O/S ⅛ Perp | 600 | 100⅞ | 0 | 7⅛ |
| BBL ⅛ 99 | 100 | 100 | 0 | 6⅝ |
| BFCE ⅛ 97 | 400 | 100 | +0⅛ | 6⅝ |
| BNP 05 | 300 | 99⅝ | 0 | 5⅝ |
| Belgium ⅛ 04 | 400 | 100⅝ | 0 | 7⅛ |
| Belgium B 0.03 2011 | 250 | 100⅝ | 0 | 6⅝ |
| CCF 97 | 250 | 99⅝ | −0⅛ | 6½ |
| CEPME ⅛ 98 £ | 100 | 100⅛ | 0 | 10⅛ |
| Chase Manhattn ⅛ 00 | 250 | 100⅛ | 0 | 6⅝ |
| Chase Manhattan ⅛ 09 | 400 | 100⅛ | 0 | 5⅞ |
| Chemical NY ⅛ 99 | 300 | 100 | +0⅛ | 5⅝ |
| Citicorp O/S ⅛ 91 £ | 100 | 99½ | +0⅛ | 9⅝ |
| Citicorp Pen Pan ⅛ 97 | 250 | 99⅞ | −0⅛ | 6⅛ |
| CNT ⅛ 00 | 300 | 100⅛ | 0 | 6⅝ |
| Commerzbank ⅛ 89 | 150 | 100⅛ | 0 | 7⅝ |
| Creditanstalt ⅛ 96 | 150 | 100⅛ | −0½ | 6 |
| Credit Foncier 97 | 350 | 100 | 0 | 6⅝ |
| Credit Foncier ⅛ 00 £ | 100 | 100⅝ | +0⅛ | 10⅝ |
| Credit Lyonnais ⅛ 95 | 300 | 101⅛ | 0 | 7⅛ |
| Credit Lyonnais ⅛ 99 | 250 | 100⅛ | 0 | 7⅝ |
| Credit Lyonnais ⅛ 00 | 300 | 100⅞ | 0 | 6⅝ |
| Credit National ⅛ 95 £ | 100 | 100⅞ | 0 | 10⅝ |
| Dai-Ichi Kangyo ⅛ 96 | 150 | 100⅛ | +0⅛ | 6½ |
| Den Danske Bk ⅛ 89 | 30 | | 0 | 7⅝ |
| Denmark ⅛ 90 | 500 | | 0 | 7⅝ |
| Denmark ⅛ 04 | 500 | 100⅛ | +0⅛ | 6⅛ |
| Eldorado Nuke 89 | 100 | 100 | 0 | 5⅞ |
| Elec de France ⅛ 99 | 400 | 101⅞ | −0⅛ | 6⅝ |
| ENEL ⅛ 93 £ | 100 | | 0 | 10⅝ |
| Exterior Int ⅛ 98 | 125 | 100⅛ | 0 | 7⅛ |
| Ferro del Stat ⅛ 88 | 100 | 100 | −0⅛ | 7⅛ |
| Ferro del Stat 97 | 420 | 100⅛ | +0⅛ | 7⅛ |
| Finnpap ⅛ 95 | 100 | 100⅛ | 0 | 6⅛ |
| First Chicago ⅛ 94 | 100 | 99⅝ | −0⅛ | 6⅛ |
| First Chicago ⅛ 97 | 200 | 99⅝ | −0⅛ | 6⅝ |
| Ford Motor Cr ⅛ 91 | 200 | | 0 | 7⅝ |
| Fuji Intnl ⅛ 96 | 200 | 100⅛ | 0 | 6⅛ |
| GW O/S Fin ⅛ 94 | 100 | | 0 | 6⅛ |
| Grindlays ⅛ 94 | 100 | 100⅛ | 0 | 6⅛ |
| Ireland ⅛ 88 | 50 | | 0 | 8½ |
| Ireland ⅛ 93 £ | 50 | 100⅛ | +0⅛ | 10⅝ |
| Ireland ⅛ 94 | 300 | 100⅛ | 0 | 6⅝ |
| Ireland ⅛ 96 £ | 100 | 100⅛ | +0⅛ | 10½ |
| Ireland ⅛ 97 | 300 | 100 | 0 | 5⅞ |
| Ireland ⅛ 99 | 300 | 100⅛ | 0 | 6⅛ |
| Italy ⅛ 94 | 1bn | 100⅛ | 0 | 6⅞ |
| Italy ⅛ 06 | 500 | 100⅛ | +0⅛ | 5⅝ |
| Lincoln S & L ⅛ 99 | 100 | 100⅛ | 0 | 7⅛ |
| Lloyds Bank ⅛ Perp | 750 | 100⅛ | 0 | 7½ |
| Lloyds Euro ⅛ 93 | 200 | 100⅛ | 0 | 7⅝ |
| Lloyds Euro ⅛ 04 | 250 | | 0 | 6⅛ |
| Malaysia ⅛ 93 | 500 | 99⅞ | +2⅛ | 6⅛ |
| Malaysia ⅛ 94 | 800 | 99½ | +0⅛ | 7⅛ |
| Man Hanover ⅛ 97 | 200 | | 0 | 6 |
| Marine Midland ⅛ 94 | 125 | 100⅛ | 0 | 6⅝ |
| Marine Midland ⅛ 96 | 125 | 100 | 0 | 6⅛ |
| Marine Midland ⅛ 09 | 150 | 100 | 0 | 6⅛ |
| Mellon Bank ⅛ 96 | 250 | 100 | 0 | 5⅞ |
| Midland Int ⅛ 99 | 200 | 100⅛ | +0⅛ | 5⅞ |
| Mitsui Fin ⅛ 96 | 100 | 100 | −0⅛ | 5⅝ |
| Morgan Grenfell ⅛ 94 | 50 | 100⅛ | +0⅛ | 6⅞ |
| Mtg Intermed ⅛ 10 £ | 50 | | 0 | 10⅝ |
| Nat Bank Canada ⅛ 91 | 50 | 100 | −0⅛ | 7 |
| NatWest ⅛ 05 | 400 | 100½ | 0 | 6⅛ |
| NatWest Fin ⅛ Perp | 300 | 100⅛ | −0⅛ | 7⅝ |
| Neste Oy ⅛ 94 | 100 | 100 | 0 | 6⅝ |
| New Zealand 2001 | 350 | 100⅛ | 0 | 6 |
| NZ Steel Corp ⅛ 92 | 225 | 100⅛ | 0 | 7⅛ |
| Offshore Min ⅛ 91 | 150 | 100⅛ | 0 | 7⅛ |
| Oster Land Bank ⅛ 99 | 100 | 100⅛ | 0 | 6⅝ |
| Portugal ⅛ 92 | 100 | | 0 | 7⅝ |
| Renfe ⅛ 91 | 100 | 100⅛ | 0 | 6⅝ |
| Royal Bk Canada ⅛ 05 | 350 | 100 | −0⅛ | 6⅞ |
| Sanwa Int Fin ⅛ 92 | 150 | 100⅛ | 0 | 6⅝ |
| Security Pac ⅛ 97 | 250 | 99⅝ | −0⅛ | 6⅛ |
| Shawmut Corp ⅛ 97 | 50 | | 0 | 6⅝ |
| SNCF ⅛ 93 £ | 75 | 100⅛ | +0⅛ | 10⅛ |
| Soc Generale ⅛ 97 | 400 | 100 | −0⅛ | 6⅛ |
| Soc Generale ⅛ 94 | 250 | 100 | −0⅛ | 6⅛ |
| Spain ⅛ 99 | 500 | 100⅛ | −0⅛ | 9⅝ |
| Spain ⅛ 97 | 250 | 100⅛ | 0 | 6⅝ |
| Standard Chart ⅛ 84 | 200 | 100⅛ | 0 | 6⅝ |
| Sumitomo Trust ⅛ 94 | 100 | 100⅛ | 0 | 6½ |
| Sweden ⅛ 99 | 500 | 100⅛ | 0 | 6⅝ |
| Sweden 90 | 700 | 100⅛ | 0 | 6⅛ |
| Taiyo ⅛ 04 | 100 | 100⅛ | +0⅛ | 7⅝ |
| Thailand ⅛ 05 | 60 | 99½ | 0 | 6⅛ |
| Tokai Asia ⅛ 99 | 150 | 100⅛ | 0 | 7⅝ |
| Toyo Trust Asia ⅛ 99 | 100 | 100⅛ | 0 | 7⅛ |
| UBAF ⅛ 90 | 65 | | 0 | 7 |
| Union Bank-Norw ⅛ 99 | 50 | | 0 | 6⅝ |
| United Kingdom 92 | 2.5bn | 100⅛ | 0 | 6⅛ |
| Wells Fargo ⅛ 94 | 150 | | 0 | 5⅞ |
| Wells Fargo ⅛ 96 | 50 | | 0 | 5⅝ |
| Yokohama ⅛ 94 | 100 | 100⅛ | +0⅛ | 7½ |
| Yorkshire Int ⅛ 94 £ | 75 | 100 | 0 | 10 |

| CONVERTIBLE BONDS | Issued | Price | Chg. on week | Prem. |
|---|---|---|---|---|
| Ajinomoto 3 99 | 120 | 226½ | +7⅛ | 7.64 |
| Ajinomoto 5½ 96 | 40 | 342 | +14½ | −0.94 |
| Best Denki 5½ 97 | 15 | 282 | −21 | −1.49 |
| Canon 7 97 | 50 | 251 | −8⅛ | −0.82 |
| Daiwa Secs 5⅛ 96 | 60 | 0 | | |
| Elektrowatt 5 98 | 61 | 151 | −0½ | −3.17 |
| Fuji Bank 2⅞ 00 | 100 | 150⅝ | +0⅝ | 2.04 |
| Fujitsu 3 98 | 100 | 120½ | −2⅞ | 0.63 |
| Intec Inc 3 98 | 50 | 213½ | +2 | −12.91 |
| Kyowa Hakko 6⅞ 97 | 40 | 452 | −1⅞ | −0.54 |
| LASMO 9⅞ 99 | 44 | 86 | −0⅞ | 112.11 |
| Murata Mfg 3½ 00 | 100 | 0 | | |
| Nippon Oil 3⅞ 99 | 50 | 146½ | +0½ | 3.12 |
| Ono Pharm 3⅞ 98 | 60 | 240 | −3⅞ | −1.43 |
| Sanyo Electric 5 98 | 50 | 111⅛ | +1½ | 7.88 |
| Sumitomo Corp 2⅞ 99 | 70 | 263 | +1 | 0.53 |
| Sumitomo Tst Bk 2½ 01 | 150 | 0 | | |
| Texaco Capital 11⅞ 94 | 1bn | 103⅞ | +0⅛ | 65.40 |
| Texaco Capital 11⅝ 94 | 500 | 104⅛ | +0½ | 66.20 |
| Tsumura Juntndo 5⅛ 96 | 30 | 163½ | +4⅛ | −1.91 |
| USAIR Fin 7 98 | 50 | 113⅞ | +3⅞ | 9.38 |

| YEN STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Asian Dev Bk 7½ 94 | 15 | 108⅝ | +0⅛ | 5.99 |
| Avon Products 6⅞ 91 | 25 | 0 | | |
| Denmark 6⅝ 92 | 20 | 104⅛ | +0⅞ | 5.77 |
| Dow Chemical 7 94 | 50 | 101⅞ | +0⅛ | 6.69 |
| EDF 6⅞ 95 | 20 | 106⅛ | +0½ | 5.46 |
| Eurofima 7⅛ 94 | 10 | 104⅝ | +0⅛ | 6.67 |
| Eurofima 6⅝ 92 | 10 | 103⅛ | +1 | 5.92 |
| FNMA 6½ 92 | 60 | 105⅛ | +0½ | 5.69 |
| GMAC 6½ 90 | 25 | 102 | +0⅛ | 5.96 |
| Intel 6⅞ 92 | 12.5 | 0 | | |
| Int-Amer Dev 7⅞ 93 | 15 | 0 | | |
| ITT 6⅝ 92 | 20 | 102⅞ | +0⅛ | 6.18 |
| McDonald Corp 6½ 92 | 25 | 102 | +0½ | 6.09 |
| New Zealand 7⅛ 90 | 15 | 106½ | +1 | 5.44 |
| New Zealand 7⅝ 88 | 15 | 108⅝ | +0⅛ | 5.33 |
| Pacific Gas & Elec 7 94 | 20 | 103⅞ | +0½ | 6.42 |
| Penney J C 6⅝ 92 | 25 | 102⅛ | +1⅛ | 6.32 |
| Procter 6⅞ 92 | 25 | 103⅞ | +1 | 5.86 |
| Sallie Mae 6⅝ 92 | 25 | 104⅛ | +1 | 5.70 |
| TRW 7 94 | 15 | 101⅞ | +0⅛ | 6.71 |
| Utd Technology 6⅝ 92 | 25 | 102⅝ | +0½ | 6.08 |
| World Bank 7 94 | 20 | 101⅞ | +0⅛ | 5.83 |
| World Bank 7⅝ 93 | 20 | 110⅞ | +1⅛ | 5.77 |
| World Bank 8 93 | 20 | 113⅞ | +2⅛ | 5.59 |

| LUXFR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Asian Dev Bank 6⅝ 87 | 400 | 99½ | −0⅞ | 7.55 |
| Eurofima 10 94 | 600 | 106⅝ | 0 | 9.05 |
| E Coal & Steel 10⅞ 94 | 1bn | 105⅞ | −0⅛ | 9.61 |
| Euroinvest Bk 10½ 94 | 1bn | 109½ | 0 | 8.97 |
| World Bank 10⅝ 89 | 1bn | 104⅝ | 0 | 8.51 |

| GUILDER STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| ABN 8 89 | 200 | 104⅝ | +0⅛ | 5.72 |
| ABN 7⅝ 89 | 150 | 105⅛ | 0 | 6.02 |
| Amro Bank 7⅝ 89 | 150 | 106⅛ | 0 | 5.74 |
| Amro Bank 8 89 | 200 | 104⅛ | 0 | 5.86 |
| Bk Mees & Hope 8⅞ 89 | 100 | 105⅛ | 0 | 5.95 |
| Beatrice Foods 8⅞ 88 | 100 | 105⅛ | −0⅛ | 6.04 |
| C C Rabo 8 88 | 150 | 104½ | −0⅛ | 6.23 |
| Denmark 8½ 91 | 100 | 109½ | 0 | 6.13 |
| Int Stand Elec 8⅝ 89 | 100 | 104⅞ | 0 | 6.27 |
| New Zealand 8⅞ 89 | 100 | 106½ | 0 | 6.14 |

| CANADIAN DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Amex 12⅝ 91 | 50 | 105⅝ | +0⅞ | 10.85 |
| Aust Resources 11⅝ 92 | 50 | 107⅝ | +1⅞ | 9.77 |
| Bank of Tokyo 10⅝ 92 | 75 | 101½ | −0½ | 10.47 |
| Bqe l'Indosuez 14 91 | 75 | 112½ | −0⅛ | 10.55 |
| Br Col Munic 12⅝ 91 | 100 | 110 | +1⅛ | 9.68 |
| Br Col Munic 13½ 91 | 100 | 113½ | +0⅛ | 9.80 |
| Br Col Tele 12⅝ 89 | 70 | 104½ | +0⅛ | 11.53 |
| Farm Cred Corp 12⅝ 90 | 75 | 108⅝ | +1 | 9.52 |
| Kredietbank 12 92 | 75 | 107⅛ | +0⅞ | 10.14 |
| Long Term Cred 11⅝ 90 | 75 | 105⅝ | +0⅞ | 9.77 |
| Montreal City 12⅝ 91 | 50 | 109⅛ | +0⅞ | 9.63 |
| New Brunswick 12 95 | 75 | 112⅞ | +1⅛ | 9.86 |
| Nova Scotia 11⅝ 95 | 100 | 110⅛ | +1⅞ | 9.72 |
| Quebec Hydro 14 91 | 75 | 107 | +0½ | 11.95 |

| ECU STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| ABN 9½ 92 | 100 | 105⅞ | −0⅛ | 7.95 |
| Australia & NZ 10⅝ 91 | 50 | 105½ | −0⅛ | 9.04 |
| Austria 10⅝ 93 | 100 | 112⅛ | +0⅛ | 7.96 |
| BFCE 9⅝ 92 | 100 | [illegible] | 0 | 7.89 |
| Cred National 10⅞ 94 | 50 | 113 | −0½ | 8.11 |
| Cred National 11⅝ 91 | 50 | 109⅝ | −0⅛ | 8.27 |
| Denmark 10⅝ 91 | 75 | 104⅞ | +1⅛ | 8.75 |
| Ebco Intnl 10⅞ 88 | 55 | 104½ | 0 | [illegible] |
| EEC 11 93 | 50 | 100⅞ | 0 | 10.77 |
| EEC 11⅛ 91 | 50 | 108 | −1⅛ | 8.78 |
| EEC 11⅝ 93 | 70 | 101⅞ | 0 | 10.62 |
| Euro Invest Bk 9⅝ 95 | 200 | 107 | −0⅛ | 8.02 |
| Euro Invest Bk 10⅝ 94 | 130 | 112⅞ | +0⅛ | 7.73 |
| Euro Invest Bk 10⅝ 89 | 50 | 105⅛ | −2⅛ | 7.15 |
| Euro Invest Bk 10⅝ 94 | 100 | 111⅛ | −0⅛ | 8.46 |
| Euro Invest Bk 11⅝ 92 | 75 | 111⅝ | +0⅛ | 8.47 |
| Euro Invest Bk 11⅝ 93 | 50 | 108⅞ | 0 | 8.35 |
| Euro Invest Bk 11⅝ 96 | 50 | 0 | | |
| Gen Finance 11 90 | 70 | 107⅛ | −0⅛ | 8.20 |
| Giro Vienna 10½ 93 | 60 | 111⅛ | 0 | 8.33 |
| GTE Finance 10⅞ 92 | 50 | 108⅝ | 0 | 8.51 |
| Ireland 10⅝ 95 | 50 | 107⅛ | 0 | 8.70 |
| Italian Govt 10½ 92 | 600 | 111⅛ | +0⅛ | 8.11 |
| Italian Treas 11½ 90 | 800 | 108⅝ | 0 | 8.20 |
| Italy 9⅝ 89 | 200 | 103⅝ | +0⅛ | 7.61 |
| Kredietbank L 9⅝ 92 | 75 | 105 | −0⅛ | 8.12 |
| Morgan Gty Tst 9½ 90 | 100 | 102⅛ | −0½ | 7.63 |
| Nippon Cred Bk 11 91 | 50 | 105⅛ | −0⅛ | 9.44 |
| Post Och Kred 10⅞ 92 | 50 | 0 | | |
| Royal Bk Can 10½ 89 | 85 | 103⅛ | −0⅛ | 8.16 |
| SNCI 10⅝ 94 | 60 | 110⅛ | −0½ | 8.65 |
| Swedish Export 11 89 | 57 | 103½ | −0⅞ | 9.88 |
| West LB 10⅝ 91 | 60 | 104 | 0 | 9.96 |
| World Bank 10⅝ 88 | 100 | 105 | −1⅞ | 7.25 |

| AUSTRALIAN DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Comm Bk Aust 12⅞ 90 | 200 | 95 | +0⅛ | 14.12 |
| Nat Aust Bk 12½ 89 | 40 | 0 | | |
| PIBA 12⅝ 89 | 50 | 0 | | |
| State Bk NSW 12⅝ 89 | 40 | 0 | | |

| STERLING STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| BAT Intl 10⅝ 91 | 100 | 97⅞ | −0⅛ | 11.11 |
| Denmark 10⅝ 89 | 75 | 97⅛ | −1⅛ | 10.98 |
| EEC 11⅛ 94 | 50 | 100⅛ | −1⅞ | 10.58 |
| Europart 11⅛ 92 | 60 | 101⅝ | 0 | 10.20 |
| Euro Invest Bk 10⅝ 92 | 90 | 98 | −1⅛ | 10.78 |
| Finland 11⅞ 88 | 50 | 101⅞ | −0⅛ | 10.29 |
| Grand Met Fin 10⅞ 90 | 50 | 98⅝ | −7⅛ | 11.34 |
| ICI 10⅝ 92 | 75 | 96⅛ | −1⅞ | 11.22 |
| Intl-Amer Dev 11⅜ 91 | 60 | 102 | −2⅛ | 10.76 |
| Intl Stand Elec 11⅛ 89 | 90 | 99 | −1⅞ | 10.27 |
| Ireland 11⅝ 94 | 50 | 97⅝ | −2⅛ | 11.28 |
| New Zealand 10⅝ 89 | 100 | 97½ | −1 | 11.16 |
| SNCF 11⅛ 94 | 60 | 99⅝ | −2⅛ | 10.37 |
| World Bank 10⅝ 89 | 100 | 96⅝ | −0⅞ | [illegible] |
| World Bank 10⅞ 89 | 50 | 98½ | −0⅞ | 10.71 |
| World Bank 11 94 | 50 | 98⅝ | −2½ | 10.76 |

| EQUITY WARRANTS | Expiry date | Price | Chg. on week | Prem. |
|---|---|---|---|---|
| Casio Computer | 6/3/89 | 0 | | |
| Credit Suisse | 31/5/88 | 102 | +3⅛ | −39.91 |
| IC Industries | 15/6/88 | 46 | −7⅞ | 3.36 |
| International Pirelli | 14/8/88 | 0 | | |
| Pasco Corpn | 6/3/91 | 0 | | |
| Philips Gloeilampen | 15/7/88 | 19 | 0 | 91.81 |
| Prudential O/S Fdg | 15/12/88 | 330 | +20 | 0.00 |
| SBC Finance | 17/8/90 | 0 | | |
| Seagram Co | 15/8/88 | 24⅛ | +0⅞ | −15.76 |
| Swissair Finance | 19/9/89 | 0 | | |
| Swiss Bank Cpn | 20/12/88 | 122½ | +6⅛ | −4.48 |
| Swiss Volksbank A | 1/12/88 | 0 | | |
| Union Bk Switz A | 30/11/88 | 0 | | |

| BOND WARRANTS | Expiry date | Price | Chg. on week | Ex. yield |
|---|---|---|---|---|
| Aegon Ins 11⅝ 91 | 15/2/88 | 90 | +1⅛ | 8.78 |
| Coca-Cola 11⅝ 91 | 28/11/88 | 122½ | +9½ | 9.40 |
| Dai-Ichi K 8⅞ 96 B | 1/1/96 | 14½ | 0 | 6.28 |
| Du Pont 13⅝ 89 | 25/8/88 | 124½ | +1⅛ | 8.25 |
| Eksportfinas 13⅝ 89 | 15/9/87 | 137½ | +8 | 7.87 |
| Holland Air 11⅝ 91 | 10/8/88 | 52½ | +2⅝ | 9.77 |
| Ind Bk Jpn 12⅞ 91 | 5/10/89 | 160 | +7⅝ | 8.91 |
| Mitsbsh Fin 12⅝ 91 | 8/11/89 | 0 | | |
| J P Morgan 11⅛ 90 | 15/8/87 | 43 | +28⅝ | 8.65 |
| Texaco Cap 12⅞ 92 | 1/9/87 | 48 | +1½ | 11.65 |
| Wells Far A 12⅝ 91 | 27/12/88 | 0 | | |
| Wvrshr Cap 11½ 90 | 16/11/87 | 80 | +2⅞ | 8.52 |

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on September 26.

# INTERNATIONAL CAPITAL MARKETS AND COMPANIES

**Andrew Fisher** reports on the West German media group's North American ambitions

## Bertelsmann splashes out in the US

FOR ALL the bold strides that Bertelsmann has been making in the US market lately, the efforts there of the West German publishing, music and electronic media group have not always met with success.

It flopped six years ago, when its Gruner and Jahr subsidiary launched Geo, a glossy geographic magazine. The magazine simply did not take off with readers and advertisers. And in 1984, Bertelsmann failed with a $150m bid to buy US News and World Report.

But with the D-Mark having surged against the dollar, the German company is now rapidly expanding its activities in the US market, where it sees better growth prospects than in Western Europe.

With its recent $300m purchase agreement for full control of the RCA record and music business, Bertelsmann showed just how serious it was about its ambitions in North America.

If anyone had any doubts, the near $500m deal announced last Friday for Bertelsmann to buy the Doubleday publishing house should be enough to dispel these. By purchasing Doubleday, it will become the second largest publisher in the US behind Simon and Schuster.

Two such deals in one month show that Bertelsmann is intent on expanding rapidly in fast-growing markets, but chiefly in sectors which it knows best.

That was not always the case. Back in the 1960s, it spread out into such activities as chicken farms and chains of cinemas, so that it lost a sense of direction. Before that, it had gained a name for aggressive foot-in-the-door salesmanship with the rapid growth of its book clubs and has since tried hard to shake this off.

Mr Reinhard Mohn, the man who led Bertelsmann out of the confusion of the post-war years and into a period of rapid growth over some 40 years, took the company away from the non-media activities in the 1970s and back onto familiar paths. Even so, there was still considerable overlap between different divisions, often competing for the same customers.

Now aged 65, Mr Mohn still owns most of the company which was founded as a printer of hymnals and prayer books in 1835 in the country town of Gütersloh in northern Germany between Dortmund and Hanover.

He is a fifth-generation member of the founding family—his grandfather married the granddaughter of the founder, Carl Bertelsmann, who lives simply and does not care to talk about himself.

In the 1950s, he founded the book clubs which now have more than 16m members around the world. In the next decade, he looked abroad for expansion as cartel problems made further expansion at home awkward. Bertelsmann also took a majority stake in Gruner and Jahr, publisher of the best-selling Stern weekly magazine, as well as Geo and other specialised titles.

The 1970s saw sales of Bertelsmann soar from under DM 700m a year to nearly DM 5bn. Today, they are around DM 7.6bn ($3.8bn). Mr Mohn shifted the company from its old patriarchal style to one of decentralised decision making and increased shopfloor motivation.

Mr Manfred Woessner: insisting on more co-ordination.

He introduced profit centres, generous social benefits, and made Bertelsmann into an AG (Aktiengesellschaft, or share company), ready for the day when it might go public. In fact, he still owns nearly 90 per cent of the common stock, though profit-sharing certificates (Genussscheine) have been issued and are held mainly by present and past employees.

At the age of 60, Mr Mohn stepped down as chief executive in 1981. The current holder of the job is 47-year-old Mr Manfred Woessner, who used to run the printing division. Among his board colleagues is Mr Manfred Lahnstein, 48, the former West German finance minister, who now heads the electronic media division.

Under the silvery-haired Mr Woessner, Bertelsmann is retaining its decentralised structure, but he has been insisting on more coordination and quality. The group certainly does not want any more episodes like the scandal over the so-called "Hitler Diaries" at Stern, which sells more than 1.4m copies each week.

As well as Stern, Bertelsmann, via Gruner & Jahr, also publishes the Capital and Impulse business magazines, the Brigitte women's magazine, and Essen und Trinken (Eating and Drinking). Altogether, the subsidiary has 19 magazines in Germany, three in the US—Parents, Young Miss, and Expecting—four in France (including Geo) and four in Spain.

The US magazines are successful, with Parents described by the company as one of the country's leading women's magazines. Parents and Young Miss were acquired by Mr Mohn in the late 1970, followed by Brown Printing, a magazine printer.

In 1980, Bertelsmann bought Bantam Books, following that deal up with Offset Paperback Manufacturers in 1981. It was around that time that the costly Geo launch was made and then brought to a close after two years.

Clearly, Bertelsmann is being encouraged by its successes in the US market rather than its failures. With the RCA deal, making the German company the third largest in the record business in the world after CBS and Warner, it has demonstrated no lack of hesitation in starting to carry out the investment programme it laid out six months ago.

Then, Bertelsmann said it planned to invest more than DM 2.5bn up to 1988, roughly two-thirds of it on existing sectors such as publishing and book clubs and the rest on new activities, including electronic media, and expansion in major markets like the US.

The acquisition of Doubleday, in which several other big US publishers were also thought to be interested, adds to Bertelsmann's hard cover and paperback book interests, as well as bringing in text books, book stores and printing operations.

Does Bertelsmann have any other high-spending deals up its sleeve? "We need to take a deep breath," said a company official. Though it has enough funds to finance its investments, growth does have its cost.

Net income is expected to have slipped in the year ended June, 1986, from the previous year's record DM 337m following high start-up costs among new ventures, though the low dollar has also hampered the year's performance by depressing profit contributions from the US.

## Pharmacia to set up West Coast research subsidiary

BY SARA WEBB IN STOCKHOLM

PHARMACIA, the Swedish pharmaceuticals and biotechnology group, plans to set up a genetic engineering research and development subsidiary in La Jolla, California, early next year.

The project will cost an estimated $5m to set up and run over the next three years, and will have a staff of 20 to 30.

"We have many projects which would be well-served by a genetic technology company, and we would prefer to have our own research company instead of putting our research out on contract," said Mr Torsten Helting, vice-head of research at Pharmacia's diagnostics division.

The company plans to use genetic engineering to produce pharmaceuticals and the key components for its diagnostic kits, which are used, for example, in allergy testing.

Pharmacia is already involved in co-operative genetic technology projects. Since last year, Pharmacia has worked with the US company Chiron and the German company Gruenenthal, on a recombinant DNA project.

It has also worked with the US company Biotechnology General to develop strains of bacteria which produce high yields of hyaluronic acid, the key component for Healon.

## Cockerill to cut output for three days

By Our Financial Staff

Cockerill-Sambre, Belgium's troubled steelmaker, has partially stopped production for three days and laid off 7,000 workers for the period in a move to cut costs. The group, which had a net loss of BFr 6bn ($141.5m) last year, recently announced a restructuring plan involving job cuts and other measures.

The three-day lay off of 7,000 workers — half the group workforce — is intended to cut costs and prevent the group being forced to sell semi-finished products at lower than normal prices.

## Austrian Government to float shares in OMV

BY PATRICK BLUM IN VIENNA

SHARES in OMV, Austria's state-owned oil and gas group, are to be offered to the public early next year, as part of Austrian government plans to restructure the nationalised industries.

OMV has been making regular profits and it is one of the star performers among Austria's troubled nationalised industries, but it suffered last year from the sharp decline in oil prices. Its earnings before tax and allocations fell by more than 40 per cent to Sch 1.017bn ($70m) on an increased turnover of Sch 61.67bn.

Between 10 per cent and 15 per cent of OMV's shares will be sold on the Vienna bourse, according to Mr Hugo Michael Sekyra, chairman of OIAG, the holding company for the nationalised industries.

OIAG is itself being thoroughly restructured following years of continuous losses by some of its largest companies including Voest-Alpine, the steel and engineering group.

Mr Sekyra warned that OIAG will need at least Sch 32bn in subsidies to cover losses and pay for restructuring.

## Markets seek better regulation

BY ALEXANDER NICOLL IN LONDON

THE International Federation of Stock Exchanges, which groups exchanges from 27 countries, is to examine more effective ways of regulating the growing international securities business.

The Paris-based federation, which held its annual meeting last week in London, will also study the effects of derivative products such as futures and options on underlying stock markets.

Sir Nicholas Goodison, chairman of the London Stock Exchange and president of the federation, said more co-ordinated regulation could involve expanded technical links allowing the transfer of information.

With so much trading in individual stocks taking place outside their domestic marketplace, it was impossible for regulators to obtain a picture of trading in those stocks by just looking at one market.

Though frameworks differed from country to country, there was much regulatory work that every exchange had to carry out.

Mr Jeffrey Knight, chief executive of the London exchange and chairman of a seminar yesterday, said the development of the Euro-equity market showed the need for conformity of regulation. However, he said it was wrong to think of the market as unregulated since equity in each company was governed by the rules on the exchanges where it was listed.

### NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Book Runner | Offer yield % |
|---|---|---|---|---|---|---|---|
| **U.S. DOLLARS** | | | | | | | |
| Investors in Industry ‡ | 85 | 1991 | 5 | 7¾ | 101¼ | Warburg Securities | 7.196 |
| Finnair Finance §‡ | 50 | 2001 | 15 | 5¼ | 100 | Morgan Stanley | 5.250 |
| Orient Leasing ‡ | 30 | 1993 | 7 | 18 | 112½ | Daiwa Europe | 7.586 |
| Shiseido Europe ‡ | 50 | 1991 | 5 | 8 | 101¾ | Yamaichi Int. (Eur) | 7.567 |
| Finland ‡ | 70 | 1996 | 10 | 8¼ | 104 | IBJ Int. | 7.785 |
| Nordic Inv. Bank ◊‡ | 150 | 1991 | 5 | 7½ | 101¼ | Warburg Securities | 7.224 |
| Sumitomo Trust Fin. ‡ | 100 | 1991 | 5 | 7¾ | 101¾ | Sumitomo Trust Int. | 7.328 |
| Metropolis of Tokyo ‡ | 200 | 1996 | 10 | 8¼ | 101½ | Banque Paribas | 8.026 |
| Fiat †‡ | 500 | 1998 | 12 | (d) | 100.1 | Salomon Brothers | - |
| Belgium (e)‡ | 250 | 1991 | 5 | 7½ | 100¾ | Morgan Guaranty | 7.318 |
| Overseas Union Bank (f)†‡ | 100 | 2011 | 25 | ¼ | 100 | Stand. Chart. M. Bk Asia | - |
| Danish Export Fin. ‡ | 100 | 1989 | 3 | 7 | 100⅛ | Salomon Brothers | 6.969 |
| Elf Aquitaine ¶‡ | 100 | 1993 | 7 | 3 | 100 | Banque Paribas | 3.000 |
| Belgium (e)†‡ | 200 | 1994 | 8 | (d) | 100.2 | Salomon Brothers | - |
| EIB Int. Bank †‡ | 200 | 1991 | 5 | (g) | 100.1 | Chase Manhattan | - |
| EIB ‡ | 150 | 1993 | 7 | 7¼ | 101⅛ | Nomura Int. | 7.480 |
| Fuji Bank & Trust ‡ | 100 | 1991 | 5 | 7⅜ | 101½ | Fuji Int. Finance | 7.257 |
| CSE ‡ | 100 | 1991 | 5 | 8 | 100 | Nomura Int. | 7.946 |
| Ebara Corp. ¶ | 70 | 1991 | 5 | (3¼) | 100 | Yamaichi Int. (Eur) | - |
| ICN Pharmaceuticals § | 65 | 2001 | 15 | (6½-¾) | 100 | J. H. Schroder Wagg | - |
| **CANADIAN DOLLARS** | | | | | | | |
| Sallie Mae (k)‡ | 150 | 1991 | 5 | 8.28 | 100 | First Boston | 8.474 |
| Montreal Urban Comm. ‡ | 75 | 1996 | 10 | 10⅛ | 101¼ | Orion Royal Bank | 9.922 |
| **HONG KONG DOLLARS** | | | | | | | |
| Citic (e)‡ | 400 | 1993 | 7 | 7⅞ | 100 | Paribas Asia | 8.839 |
| **D-MARKS** | | | | | | | |
| Ryobi Ltd. ¶‡ | 60 | 1994 | 8 | 1¾ | 100 | BG Bank | 1.750 |
| Midland Int. ‡ | 200 | 1996 | 10 | 5½ | 100 | Trinkaus & Burkhardt | 5.500 |
| Danish Export Fin. ‡ | 150 | 1991 | 5 | 6 | 100 | Commerzbank | 6.000 |
| **SWISS FRANCS** | | | | | | | |
| Toyota Eastern Corp. ‡ | 100 | 1996 | - | 5¾ | 100¼ | Chase M'hattan (Suisse) | 5.718 |
| Ishikoku Glass **‡ | 35 | 1991 | - | 1¼ | 100 | Credit Suisse | 1.250 |
| Ishihara Sangyo **‡ | 100 | 1992 | - | 1⅛ | 100 | Swiss Volksbank | 1.125 |
| American Eagle Fwr. §§ | 30 max | 1994 | - | (7½) | * | Chemical WT Corp. Mkt | * |
| Ford Credit Canada **‡ | 115 | 1993 | - | 4⅞ | 100 | Credit Suisse | 4.875 |
| Carter Holt Harvey ¶‡ | 250 max | 2001 | - | 5⅞ | 100 | Sodutic | 5.875 |
| Echo Bay Mines (e)‡ | 110 | 1996 | - | 3⅞ | 100 | Credit Suisse | 3.875 |
| City of Vienna | 200 | 1996 | - | (4¾) | * | Kreditbank (Suisse) | * |
| Walt Disney ‡ | 107 | 1996 | - | 4¾ | 99½ | Credit Suisse | 4.814 |
| Japan Rock C'putor **‡ | 22 | 1991 | - | 5 | 100 | Credit Suisse | 5.000 |
| Gun-Ei Chemical **§ | 100 | 1992 | - | (1¾) | * | SBC | * |
| Aisaqi Nylon **§ | 110 | 1991 | - | (1) | * | SBC | * |
| **FRENCH FRANCS** | | | | | | | |
| Sweden (c)‡ | 800 | 1991 | 5 | (c) | 100 | CCF | - |
| **ECUs** | | | | | | | |
| Plessey Cap. Hldgs §‡ | 40 | 1996 | 10 | 7¼ | 100 | Banque Paribas | 7.250 |
| **LIRE** | | | | | | | |
| EIB ‡ | 200bn | 1996 | 10 | 9 | 97 | SIGE | 9.477 |
| **DANISH KRONER** | | | | | | | |
| Skandinaviska Ens. Bk ‡ | 300 | 1991 | 5 | 10¼ | 100 | Enskilda Securities | 10.250 |

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate notes. ¶ With equity warrants. ◊ With bond warrants. # Currency linked. (a) With gold warrants. (b) Launched on US domestic market. (c) Bull-bear issue linked to CAC index fixed at end of first year. Coupon 3¾% first year, 8% thereafter. (d) Equal to 6m Libid flat. (e) Unlisted. (f) ¼ over 6m Libor, launched in Asian dollar market. (g) Equal to 3m Libid. Note: Yields are calculated on AIBD basis.

# UK COMPANY NEWS

## Blacks Leisure urges holders to accept Sears

BY RICHARD TOMKINS

Blacks Leisure, the troubled camping and leisurewear group which has received an agreed £3.3m bid from the Sears retailing and footwear conglomerate, yesterday issued an eleventh-hour appeal to shareholders urging them to ignore speculation that a rival offer might emerge and to accept the Sears offer.

Last month Blacks unveiled pre-tax losses of £1.6m for the year to March and said it had run into severe cashflow problems. A takeover by Sears appeared to be the only means likely to keep it out of the hands of the receivers.

However, the Sears bid lapses on Wednesday unless it has been declared unconditional by then, and Sears says it will only do that if it has received acceptances in respect of 90 per cent of Blacks' ordinary shares. Up till Friday it had received acceptances for only 51 per cent.

Blacks yesterday moved to squash suggestions that a rival offer might emerge or that its directors were considering plans for a financial restructuring of the group.

Referring to speculation that Mr Phil Edmonds, the England cricketer, could be involved in a bid, it said that neither the board nor its financial advisers, Arbuthnot Latham Bank, had received firm proposals of any kind from Mr Edmonds or any other consortium.

"The directors are aware that a meeting of shareholders has been called by Mr Edmonds for Tuesday afternoon. This is not an official general meeting of the company, no agenda appears to have been drawn up, and any decisions reached at the meeting are not binding on Blacks," it said.

"Shareholders who delay their acceptances until after Mr Edmonds' meeting may be unable to meet the deadline for acceptances of 1 pm on Wednesday. If Sears does not receive sufficient acceptances to declare the offer unconditional, the company may well be forced into receivership."

If that happened, Blacks said, it was unlikely that there would be any return of funds to shareholders, and the jobs of several hundred employees would be put at risk.

Blacks added that it was not considering raising funds through a rights issue and did not regard such an issue as a practical alternative, and had no alternative proposals for injecting new funds into the company.

"The directors wish to stress the urgency of the situation and strongly recommend all shareholders who have not already done so to accept the Sears offer immediately."

Sears already owns 186 camping and leisurewear outlets through Milletts Leisure Shops, bought this summer in an £11.8m agreed deal, and a separate Milletts chain acquired last year through its takeover of Foster Brothers.

Blacks has 42 outlets trading under the group's name and four trading under the Greenfields name. Its fortunes slumped after its 1984 merger with Greenfields Leisure, when serious trading, administrative and cashflow problems emerged in the Greenfields division. Most of the 66 Greenfields stores were subsequently closed.

## S. Casket suffers second half loss

Following the warning that the bad weather was having an adverse affect on sales and margins, the S. Casket (Holdings) clothing importing and distribution group incurred a pre-tax loss of £23,000 in the second half, on sales of £7.86m.

This meant that sales for he full year ended June 30 1986 were down from £21.35m to £20.48m, and the profit before tax fell from £911,000 to £548,000. Earnings were cut to 3.12p (5.6p) but the directors are holding the final dividend at 1.4p for an unchanged 2.2p net total.

They also disclosed that negotiations to acquire a substantial private company had been discontinued, the vendors deciding to pull out within a matter of days of contracts being due for completion.

They stressed that the company would not be deterred from pursuing other proposals which were considered to be in the Casket's best interests. Meanwhile, the professional costs had been included in the accounts.

They added that the basic structure of the group was as strong as ever, and that prospects for the first half of the current year were encouraging.

## Weak oil prices push Petrocon £0.33m in the red midway

THE COLLAPSE in oil prices has hit the oil service activities of Petrocon. The group experienced a near £1.1m downturn and moved into a loss of £331,000 in the first half of the year, and is halving its interim dividend to 1p net.

Turnover rose from £8.63m to £9.37m and mainly reflected the contribution made by the new businesses—Petrocon Well Services and Petrocon Production Services. But throughout the period there was mounting pressure on margins as the oil service industry adapted to the reduced level of demand.

The downturn most severely affected the rental tool division where business arises primarily out of exploration drilling and where there had been a substantial cutback in activity. The northern sector of the North Sea was particularly hit.

Rationalisation was in hand in order to reduce competition in what was likely to become a smaller industry, the directors stated.

They said that a number of opportunities were being pursued for both rental tool and well services business. Progress was being made but major benefits were unlikely to be felt before 1987.

Meantime, the new businesses would continue to improve and the group's cash flow would remain positive in the second half.

The new businesses incurred losses in the first half, but they had completed their capital investment programmes and were in a position to produce profits.

The well testing services, primarily land-orientated, were expected to remain active. Demand for Petrocon Flotec's supply services and for the manufacturing capacity of Petrocon Steel services and Petrocon Gall Thomson were down, but all traded profitably and should continue to do so in the second half.

Overseas, Swire Petrocon and Wasco had both been hit by the downturn in drilling activity and contributed substantial losses.

The continuing rise of oil imports into the US as stripper wells were shut down was increasing the demand for Opec production, and with it the likelihood that price stabilisation would continue, the directors said.

The half-year's loss was made up by the company and its subsidiary £89,000 (profit £671,000) and associate companies £242,000 (profit £94,000). Loss per share was 4.53p (earnings 7.68p).

## Courtney Pope up 18% to £2.49m

IMPROVEMENTS in the specialist contracting and electrical divisions were behind an 18 per cent rise in pre-tax profits at Courtney Pope (Holdings) to a record £2.49m for the year to the end of May 1986. And directors of this shopfitting and electrical group said that with sales in the first quarter of the present year above last year there were good indications that there would be a further increase in profitability.

Turnover was up slightly at £40.43m (£39.96m) and after tax of £936,000 (£515,000) earnings per 20p share came through at 30p (31.16p). With a final proposed dividend of 6.5p (5.5p) the total payment is being raised from 8.5p to 10p.

Directors are also proposing to capitalise £4.14m of reserves by increasing the par value of each 20p share to £1 and then subdividing them into two ordinary shares of 50p, resulting in each 20p share becoming two 50p shares.

## FT Share Information

The following securities have been added to the Share Information Service: Common Bros. (Section: Shipping); Egerton Trust 7pc Conv Cum Red Pref (Property); Guthrie Corp (Industrials); Omnitech (Industrials); SmithKline Beckman Corp (Industrials); West Yorkshire Independent Hospital (Industrials).

## SHARE STAKES

Changes in company share stakes announced over the past week include:

Argyll Group—G. E. Walker, a director, has sold 1,000,000 ordinary and retains 1,782,512.

DSC Holdings—Director D. E. Coathup sold 24,000 shares and now holds 8,000 ordinary (0.25 per cent).

Brassway—On September 25 director R. A. Swaby purchased 25,000 shares at 82p and now holds 2,250,503 shares.

Marley—Director T. J. Aisher disposed of 375,000 ordinary.

Bestwood—A. A. F. Cole, chairman, acquired 30,218 ordinary and now holds 398,681 ordinary (8.15 per cent).

Hall Engineering Holdings—R. Hall, chairman, purchased 30,000 ordinary on September 24.

Weld—The following directors sold shares on September 24 at 58½p: D. Duffield 40,000 and now holds 231,306; F. C. Lyon 37,475 and now holds 300,000; and R. Newton 72,423 and now holds 300,000.

Cray Electronic Holdings—On September 16 B. L. Mead, director, sold 10,000 shares at 340p.

Grand Central Investment Holdings—Lt Cmdr C. G. de l'Isle Bush, director, sold 40,000 shares at 82p on September 1.

Polypipe—G. Harrison, technical director, sold 350,000 ordinary and now holds 3,290,000 ordinary (13.6 per cent) and E. Leeting, Financial Director, sold 25,000 ordinary and now holds 175,000 ordinary (0.7 per cent). In aggregate the directors of Polypipe now hold 18,060,000 ordinary (74.6 per cent).

Wyndham Group—B. Brownhill, chairman, has bought 110,291 ordinary and now holds 385,000 (17.5 per cent). L. S. Stephenson, director bought 1,430 ordinary and now holds 4,031 (0.18 per cent).

A. G. Stanley Holdings—director G. A. Stanley sold 300,000 shares at 75p and now holds 1,712,998 shares (6.7 per cent).

Mercury International Group—Following the conversion option recently offered to all holders of MIG Preference shares, as a result of conversions, companies within the reliance group now own 15,271,050 ordinary of MIG, (10.44 per cent).

## BOARD MEETINGS

TODAY

*Interims:*— Aada Property, Bredero Properties, Bronx Engineering, Early's of Witney, Inchcape, George Ingham, Kwik-Fit (Tyres and Exhausts), John Menzies, Rugby Portland Cement, Stag Furniture, United Friendly Insurance, Frank Usher, Watts Blake Bearne, Wills, Rex Williams Leisure.

Finals:— AB Electronic Products, C. H. Bailey, Dunton, FII Group, Lysander Petroleum, R. H. Morley, Process Systems.

FUTURE DATES

Interims:—

| | |
|---|---|
| Anglo American Inv Trust | Oct 8 |
| Hewden-Stuart Plant | Oct 7 |
| M. Y. Holdings | Oct 1 |
| *Morgan Grenfell* | *Oct 6* |
| Northern Foods | Dec 9 |
| Riley Leisure | Oct 6 |

## COMPANY NEWS IN BRIEF

F & C PACIFIC Investment Trust holding interim dividend at 0.6p net per share from earnings of 1.14p (1.42p) for half-year ended July 31 1986. Total revenue £1.96m (£1.72m) and net attributable £606,000 (£751,000) after interest charges £583,000 (£71,000) and tax £382,000 (£325,000). Net asset value per share at end of period was 273.4p (170.3p). Well over half of the company's assets are invested in Japan.

REA BROTHERS GROUP, a UK accepting house, has declared the forecast interim dividend of 0.45p net—the same as paid by Rea Brothers plc for the first half of 1985. Rea Brothers Group is the new holding company. Its offer for the ordinary and 5.425 per cent second cumulative preference shares of Rea Brothers plc will close for acceptances at 3 pm on October 10.

RUGBY PORTLAND Cement subsidiary Cockburn Cement of Australia reported pre-tax profits down from A$4.68m to £1.88m) in the six months to end June 1986 on turnover higher at $35.72m (£15.5m), against $32.09m.

ELBAR INDUSTRIAL, motor vehicle distributor, incurred a pre-tax loss of £38,000 (£23,000) for the first half of 1986, on turnover of £20.24m (£22.34m). Interest charges were £443,000 (£547,000) and loss per 50p share 0.83p (0.5p). In July, Elbar disposed of its interest in the loss-making Barclay Ross shops division and closed Elbar Oils. These costs, together with further provisions for previous disposals led to extraordinary charge of £567,000 (nil). Elbar's ultimate holding company is Société Générale de Belgique.

BAILLIE GIFFORD Technology, reported a fall from 94.8p to 86.7p in its net asset value per 25p share, in six months to August 31, 1986. Stated earnings were down from 1.36p to 0.34p from substantially lower net revenue of £37,672 (£149,697). Gross investment income fell from £395,171 to £168,027.

## BIDS IN BRIEF

ROCHE MECHANICAL Handling, a subsidiary of Leigh Interests, has sold its fork truck business in the north west of England to Sterling Mechanical Handling. Total consideration is £1.55m, with £213,000 on completion and the balance to be paid over five years.

FRENCH CONNECTION Group, USM-quoted clothing designer and retailer has acquired Western Group fashion retailer for £1.1m cash. In addition it is repaying at par £200,000 nominal of preference shares and £200,000 nominal of loan stock. In the year to October 31 1986 Western had turnover of £4.7m and net assets at the end of the period were about £450,000.

LAPORTE INDUSTRIES (Holdings), chemical manufacturer, is entering the Australian building products market through the acquisition of Sydney-based Davco Services. Purchase of business and assets of Davco has been completed by Laporte (Australia), subsidiary of Laporte Industries for a consideration of A$4.2m with an additional profit-related payment of A$500,000 at the end of 1987. For year to June 30 1986 Davco achieved sales of A$7.8m, more than double the figure of three years ago.

GRESHAM TRUST has invested £125,000 in a new company, Kent Pharmaceuticals, a company controlled by Denis O'Neill, the managing director. and three senior managers who together have invested £56,000 in Kent Pharmaceuticals. The company specialises in supplying retail chemists with generic pharmaceuticals which are non-branded drugs supplied only by prescription.

GREENBANK GROUP—Offer by C. & W. Walker Holdings has been accepted by holders of 22m Greenbank shares (87.3 per cent). Acceptances for cash alternative received in respect of 10.69m shares. Elections for Walker preference shares received in respect of 2.22m Greenbank shares.

HODGSON HOLDINGS USM quoted funeral director, has agreed the acquisition of James Bradley and Sons Funeral Directors and Greenall's Funeral Service of Manchester and Heywood respectively, for a joint consideration of £675,000. Together they should provide an additional 900 funerals per annum to Hodgson's total, an increase of approximately 14.5 per cent.



## PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) *have been officially notified. Dividends to be declared* will not necessarily be at the amounts in the column headed "Announcement last year."

| | Date | Announcement last year |
|---|---|---|
| Abbey Life | Oct 21 | Interim 2.2 |
| Amstrad | Oct 2 | Final 0.618 |
| *BSG Intl | Oct 1 | Interim 0.385 |
| Beazer (C.H.) | Oct 25 | Final 8.0 |
| Bejam | Oct 16 | Final 2.0 |
| *Bliton (P.) | Oct 8 | Interim 4.0 |
| British Car Auction | Oct 29 | Final 2.0 |
| British and Com. Shipping | Oct 24 | Interim 2.2 |
| *Cable and Wireless | Nov 21 | Interim 3.5 |
| Capital and Counties | Oct 29 | Interim 2.2 |
| Eastern Produce | Oct 25 | Interim 2.5 |
| Etam | Oct 23 | Interim 1.5 |
| Fisher (A.) | Oct 17 | Final 1.2 |
| *Foseco | Oct 1 | Interim 2.86 |
| *Glaxo | Oct 14 | Final 14.0 |
| Hammerson Prop. | Oct 14 | Interim 2.0 |
| *Hawker Siddeley | Oct 22 | Interim 4.5 |
| *Higgs and Hill | Oct 8 | Interim 5.0 |
| *Ibstock Johnsen | Oct 2 | Interim 1.5 |
| *Inchcape | Sept 29 | Interim 7.15 |
| London and Edinbrgh Tst. | Oct 7 | Interim 3.0 |
| London and Northern | [illegible] | Interim 2.1 |
| Marks and Spencer | Oct 29 | Interim due |
| *Morgan Grenfell | Oct 6 | Interim due |
| *Menzies (J.) | Sept 29 | Interim 1.35 |
| Mowlem (John) | Oct 14 | Interim 4.0 |
| *NEI | Sept 30 | Interim 1.65 |
| Rockware | Oct 14 | Interim due |
| *Rugby Portland Cement | Sept 29 | Interim 2.9 |
| Senior Eng. | Oct 14 | Interim 0.825 |
| UEI | Oct 14 | Interim 2.0 |
| Wisly-Hughes | Oct 22 | Final 8.0 |

*Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.



## FINANCIAL TIMES STOCK INDICES

| | Sept. 26 | Sept. 25 | Sept. 24 | Sept. 23 | Sept. 22 | Sept. 19 | 1986 High | 1986 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs. | 83.39 | 83.06 | 83.35 | 84.51 | 83.98 | 84.28 | 94.51 | 80.39 | 127.4 | 49.18 |
| Fixed Interest | 90.44 | 90.68 | 90.92 | 91.24 | 91.12 | 91.11 | 97.68 | 86.55 | 150.4 | 50.53 |
| Ordinary | 1238.4 | 1242.3 | 1264.5 | 1271.9 | 1282.8 | 1269.1 | 1425.9 | 1094.3 | 1425.9 | 49.4 |
| Gold Mines | 328.3 | 336.2 | 339.1 | 344.8 | 357.8 | 331.2 | 357.8 | 185.7 | 734.7 | 43.5 |
| FT-Act All Share | 774.34 | 780.86 | 791.89 | 794.39 | 796.77 | 790.73 | 832.39 | 664.42 | 832.39 | 61.92 |
| FT-SE 100 | 1568.6 | 1575.9 | 1603.4 | 1610.0 | 1617.1 | 1600.4 | 1717.6 | 1370.1 | 1717.6 | 986.9 |

South Africa's economy

# A brain drain threat to the future

By Jim Jones and Christian Tyler

IN THE space of a few months last year, a fifth of South Africa's actuaries—mostly the younger ones—left the country. That exodus, says Prudential Assurance, was one reason for reversing its business strategy and merging its specialist South African subsidiary with the local financial conglomerate, Liberty Life.

The Pru's London managers, who had for years turned down merger approaches for the South African operation, decided to take cover before the brain drain hit their small team. "It was a frightening statistic," says Mr Brian Medhurst, managing director of the Prudential's international division. "There was the risk that if we lost one or two key guys, we would come unstuck.

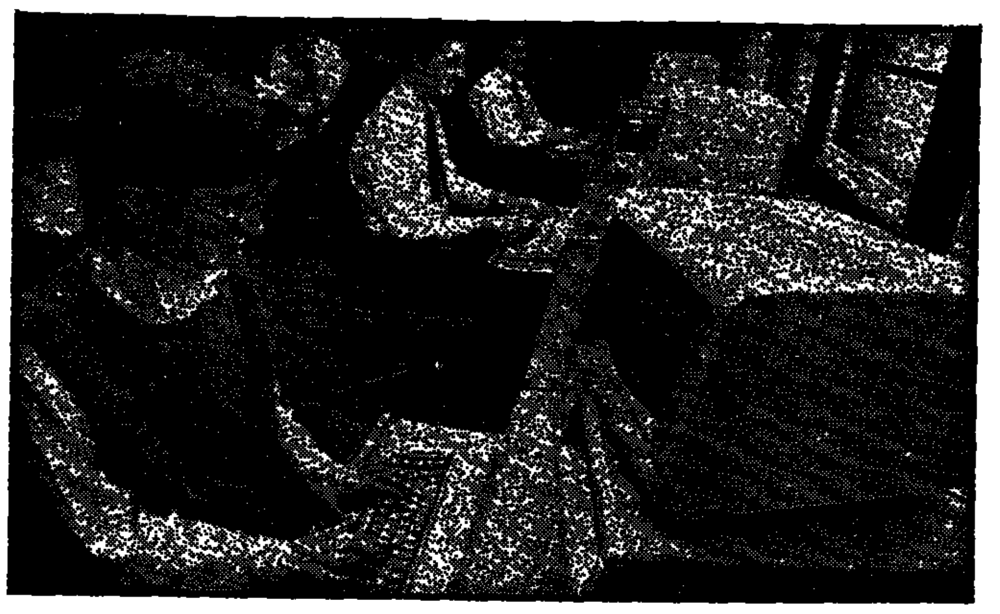
"We had been sending people from the UK over the years and many had delightful experiences out there. At the moment it's that much more difficult to ask someone if he would like to have a three or four-year stint in South Africa."

Wittingly or not, the Pru has put its finger on what promises to be South Africa's next stumbling block. The economy is showing preliminary signs of moving ahead, despite being hobbled by foreign banks' refusal to renew loan facilities. Many businessmen, however, fear that recovery could be choked by skills shortages which have been exacerbated by emigration during the past year. Above all, they fear that the types of skills being lost are those needed to ensure that the whole of South Africa does not slip back into the embrace of the Third World.

Emigration shows no signs of abating. During the first six months of this year 3,647 immigrants entered South Africa, less than a third of the 11,259 who came to the country in the first half of 1985. On the other hand officially-recorded emigration totalled 7,189 in the first half of the year against 5,006 in last year's first six months.

The most acute shortages are of computer personnel, accountants and financial analysts, production engineers and instrument mechanics.

On the other hand, there are no shortages of more traditional skills. The South African mining industry still has no difficulty attracting geologists and mining engineers from abroad even though some young graduates are concerned about possible compulsory military service obligations.



Electronic banking: progress in South Africa is being held up by skill shortages

An interpretation of this is that South Africa can attract skills which are in declining demand elsewhere, but cannot attract people with skills which are readily marketable in other countries.

An argument frequently propounded is that blacks should be trained and encouraged to fill jobs currently largely held by whites. Many large firms have black advancement and development programmes, but there remain a multitude of stumbling blocks. Mr Gavin Relly, the chairman of Anglo American, recently admitted to business's failure to develop significant numbers of black directors. He said this was due to business's own attitudes and not simply because of apartheid.

Mr Relly might just as well have used the words "racial prejudice" as the word "attitudes." Despite liberal pronouncements by many white business leaders, there is a growing hardening of white attitudes against black advancement. Many white managers, who want to protect their own jobs during the country's worst recession in half a century, are asking why they should help aspirant black managers who are hobbled by the inferior educations provided by apartheid.

No white employee will admit to it, but it is clear that white businessmen are increasingly reluctant to appoint blacks to responsible jobs. According to Mr Andrew Levy, an independent industrial relations consultant, senior managers are fearful of the susceptibility of blacks in responsible positions to political pressure or industrial action.

All of this is made much worse by the fact that while South Africa cannot attract sufficient people with internationally marketable skills, it is also suffering from emigration of the people it does train. Newly-qualified chartered accountants are "taking the gap" in growing numbers, though their departures are frequently overlooked by government statisticians. One senior accountant maintains that dozens of newly-qualified colleagues are leaving with little more than the clothes on their backs, ostensibly as tourists, but in reality to look for work abroad.

The Government itself is not helping the private sector. It has drafted dozens of young accountants into the offices of the Inland Revenue as an alternative to two years' compulsory military service. On the whole these draftees do not object—they do not risk being killed or maimed in Angola or South Africa's own black townships and they gain valuable tax experience which, ironically is a skill much in demand abroad.

The universities' ability to increase their output of accountants is hampered by their own staff shortage. At the University of the Witwatersrand, for example, all five of the chairs of accounting are vacant and the accountancy department is headed by associate professors. Next year the university is planning to hold first-year accounting classes which are 300 strong. Almost inevitably, qualified accountants fear, standards are bound to decline.

Emigration is not confined to accountants and computer experts. Professor Andie Andrews, the principal of the University of Witwatersrand's Graduate School of Business, says that half of his graduates have either emigrated or are considering emigration.

While the recession persists, businesses are not suffering too badly from shortages of skilled personnel. But as Mr Levy sees it, either way South Africa is facing a serious skills crunch. If the economy remains depressed, people who can will take their skills to other countries, while if the economy advances, shortages of skills will develop quickly.

More alarming, however, was the unofficial view of a systems expert working in the information processing division of one of South Africa's major banks. He believes that his company is reluctant to develop new financial products because of fears that the technology and skills needed to provide them will not be available to South Africa three years from now. Worries over the availability of new technology, he says, are already prompting skilled computer personnel to leave the country. These are precisely the people who would operate the increasingly sophisticated computer and information systems needed by the financial services sectors.

On a similar tack, a director of one of South Africa's leading packaging firms fears that specific skills shortages could cripple his company within five years. Imported equipment has been rendered prohibitively expensive by the rand's collapse. But the alternative of modifying or modernising existing equipment is not feasible because too few instrument technicians are available.

From the point of view of potential skilled immigrants to South Africa, the pressures to stay away continue to mount. British companies say that press and television coverage of the troubles—more extensive in Britain than elsewhere in Europe—has done most to change attitudes, especially among those with young families.

In the past few years, the number of British citizens emigrating permanently to South Africa has plummeted: there were nearly 11,000 in 1983, over 9,000 in 1984, but fewer than 5,200 last year.

For most UK companies with South African interests, however, the problem is a local one. Subsidiaries are these days mostly staffed by managers recruited on the spot and run as autonomous profit centres.

Headhunters from the US and Australia have also been busy luring the more mobile professionals away from South Africa: not only actuaries, but data processing people, financial controllers, personnel managers, engineers.

Another executive search company, Hay MSL, confirms that there are plenty of inquiries from people in South Africa who want to leave, but very little attempt these days by private or state companies in the Republic to seek recruits in the UK.

The impact of troubles in South Africa on managers' perceptions is much greater now than during the Soweto riots 10 years ago, according to another headhunter, Mr Brian Hodges, partner of TASA International which has been operating in the Republic for 15 years. "There was just a hiccup for Soweto. But it has been very difficult recently," he says.

# Some market makers may not make it

FROM TODAY the Stock Exchange's jobbers, or market makers as they will be described in future, will be allowed to make markets "upstairs" in their trading rooms, as well as downstairs on the traditional trading floor if that is where the action is.

Several firms seem undecided about exactly where their top traders should be. The wags are suggesting that quite a lot of jobbing could be done in the lift.

The traders will have four weeks to settle themselves into their new quarters before the real action will begin. SEAQ, the Stock Exchange automated quotations systems, will then go live, the traders will be continually re-keying their quotes, and the Chinese walls between them and their firms' salesmen and analysts will tumble down.

These are exciting times, and the market makers seems to be a pretty apprehensive lot. The surfeit of gilt-edged market-makers has been discussed for well over a year, but only in the past three months or so has the degree of overcapacity in equities become fully aparent.

It looks as though about 40 firms will be registered for Big Bang day, and although some of those will only be small-scale specialists, there could be between 20 and 30 reasonably ambitious market makers in some of the top-grade alpha stocks.

No wonder that there is a good deal of last-minute nervousness about the precise coverage of some of the market makers — leading, for instance, to last week's deal between Alexanders Laing & Cruickshank and Warburg's market making arm, whereby Warburg will do the market making in investment trusts for both firms.

On October 27 the market makers who wish to become the big players in the new conditions will have to start showing what they are made of. The new market will definitely not be a place for the fainthearted. Those who decline to make competitive markets in size will rapidly find themselves sidelined.

Although the new market is sometimes a little misleadingly described as electronic, it should be realised that the quotes on SEAQ will only be a starting point for the institutional trade. Firm prices must be put up for alphas and betas, but only for a minimum of 1,000 shares (and most screen quotes are expected to be in this minimum size, at least to begin with).

The real question, therefore,

COUNT DOWN DAYS TO BIG BANG 28

will not be the starter for 1,000, but the subsequent telephone inquiry for a price in 50,000 or 100,000. In the early days of the new market the agency brokers and the big institutions that wish to deal directly with the market makers will be trying to find out where the market is. First impressions could be important.

It could work the other way round, too. Traders, and the sales traders who will be working closely with them, will not want their time to be tied up with small brokers or institutional dealers hawking inconsequential orders around the market.

Modern screen-based communications systems make it plain where a call is coming from before it is connected. Anonymous rings are out of date; today, lights flash against names. Traders will soon learn, if they do not know already, which calls are worth accepting. The small business will be pushed to other market makers, perhaps on the floor of the exchange.

Traders will also need to establish relationships with other market makers. There is talk of the need for trust, which the participants insist is simply a matter of helping each other out in the interests of an orderly market.

In fact, there are suggestions that fairly formal groups of market making firms might be formed. At the other extreme, the over-aggressive firms which kick the others when they are down will no doubt get reciprocal treatment when it is their turn.

To aid liquidity, there will also be the existing stock borrowing system operated by an increased number of Stock Exchange money brokers, and several firms of equity inter-dealer brokers—able to arrange anonymous trading in a market restricted to the market makers—are being set up.

The most reliable line of defence for a trader with a big position to get rid of will, however, be his in-house distribution arm. It is expected that firms will tend to be boldest in the stocks where their traders are confident that the salesmen know the big international buyers and sellers.

A prerequisite for that is likely to be that the firm's research department must have a high rating in the sector. This is one reason why research, sales and market making will all tend to go together.

The trading desk will not be confined to continuous price making, however. It will be available to take on occasional major transactions — bought deals in the primary market and block trades in the secondary market.

Then there are the various fancy exercises collectively known as "programme" trading, which may include bidding for unwanted institutional portfolios before breaking them up, or restructuring portfolios on index-matching or other lines.

Much of this kind of activity will be concentrated in the leading stocks—the Footsie 100 if not the alpha list of 60 or so. But what about the smaller betas and gammas? There are widely differing views. Some argue that the second liners will be plagued by illiquidity, others that it will be only in the smaller stocks that the market makers can hope to make any money.

Some of the stories about a growing threat to the marketability of small company stocks seem to be misguided. In practice, liquidity in many of these securities is already very poor.

However, the old, unwritten rule that at least two jobbers would put every stock on their lists is being rethought. The new pattern in many cases is that the company broker, the "shop," is setting up as a market maker. This you can either argue to be a logical extension of the service or a dangerous, further multiplication of conflicts of interest.

But if there could be illiquidity in the gammas, it is in the alphas, which account for well over half the volume of trading in the market, that the blood will flow. Mr Paul Neild, head of equities at Phillips & Drew, has forecast that there will only be five or six major equity market makers after a year or two.

If that is so, it would represent a much bigger shake-out than has ever been suggested even in the notoriously over-populated new gilt-edged market.

By Barry Riley

APPOINTMENTS

# Rolls-Royce Motors managing director

Mr Peter T. Ward has been appointed managing director, ROLLS-ROYCE MOTORS from October 1. Mr Ward joined the company in 1983 and has been responsible since then for all sales and marketing activities worldwide.

★

Mr Takao Nakajima, a managing director of Prudential-Bache Securities International and a senior vice president of Prudential Global Funding, leaves the London office of PRU-BACHE on October 1 for Japan. As executive vice president of Bache Securities (Japan), Mr Nakajima will head Pru-Bache's Japanese investment banking unit in Tokyo. His successor in London is Mr Shigeki Iwahashi, vice president, Prudential - Bache Securities International, who will run the Japan desk in the corporate finance areas.

★

Mr K. H. D. Tulloch has been appointed to the board of CZARNIKOW TRANSMARKET.
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★

Mr John Slatter has been appointed to the board of ABACO INVESTMENTS. He is managing director of Bridgers, an estate agency which was acquired by Abaco last February.

★

Mr E. L. (Teddy) Langton has been appointed non-executive chairman of LOGITEK. He is vice-president of Horwath and Horwath International, and regional director for Europe and was, until recently, senior partner of the UK member—Stoy Hayward.

★

AVERY DENISON has appointed Mr Nigel Young as its managing director. He was international and engineering director at Rawlplug.

★

Mr John Finn has joined the board of PARROT CORPORATION as non-executive director. Mr Finn, a senior partner in the management consultancy of Deloitte Haskins and Sells will represent the interests of three of the institutional investors in Parrot Corporation, namely Legal and General, Commercial Union and CIN.

★

Doctor Roy Jenkins, former marketing director of Thermalite, has become managing director of MARLEY EXTRUSIONS.

DAKS SIMPON GROUP was appointed Mr Jeremy Franks to the board of theholding company. Mr Franks remains managing director of Simpson (Piccadilly).

★

WOODHOUSE & RIXSON (HOLDINGS) has appointed Mr Nigel Campion-Smith a director. He is a partner of City solicitors Travers Smith Braithwaite and Co.

★

Mr Brian Carrell, until recently a director of Henderson Group and executive chairman of P. C. Henderson, has joined the board of LAIDLAW THOMSON GROUP as a non-executive director.

★

Mr. Siva Singham has become finance director of the NATIONAL INVESTMENT GROUP, a consortium of seven stockbroking firms with 25 offices in England and Wales. He was until recently senior manager responsible for the securities industry practice of Peat Marwick Mitchel and Co.

★

INTASUN TRAVEL, part of the International Leisure Group, has appointed Mr Mike Cogan to the newly created board position of systems director. Hejoins Intasun from the Thomas Cook Group where for two years he was managing director of the Fastrack Value Added Network Service.

★

ALFRED McALPINE HOMES the housing division of Alfred McAlpine, has appointed Mr Bill Oliver and Mrs Pamela Gilchriest to its board. Mr Oliver, finance director, joined Alferd McAlpine Homes in 1985 from Barratt Homes, Southampton where he was company secretary then finance director. Mrs Gilchriest, divisional sales director, is responsible for the co-ordination of sales throughout the division's six operating companies in the North, South, East, West, Scotland and Retirement Homes.

★

WESTAVON has appointed Mr Jonathan Bradley as investment director from October 21. Mr Bradley spent four years with Morgan Grenfell before joining the Tyndall Group, from which he has just resigned as managing director of the unit trust subsidiary.

★

Sir John Cuckney will join the board of INVESTORS IN INDUSTRY (3i) on October 1 and will be appointed chairman in succession to Lord Caldecote at the annual meeting in July.

★

Mr Otto van der Wyck has joined BARINGS from Citicorp as managing director of Baring Capital Investors. At Citicorp he was responsible for its European-wide venture capital and management buy-out activities.

★

Mr Elwin Taylor has been appointed a director of TRAFCO UK.

★

Sir William Barlow, chairman ofBICC, was elected president of BEAMA at the annual meeting.

★

BANK HAPOALIM has made two senior appointments within its UK operations:— Mr Michael Siemion is named general manager, UK branches and UK representative, and Mr Zamir Sefer becomes manager, City branch.

★

BERKELEY ASSET MANAGEMENT has appointed Mr Graham Ferwood group pensions director from October 1.

BUILDING

# Gatwick Airport offices

BOVIS CONSTRUCTION has been awarded a £16.8m contract to build offices for the Civil Aviation Authority at Gatwick. The building will comprise four storeys of offices in two wings with a central atrium and will provide 115,000 sq ft of accommodation for the CAA Safety Services Group who are currently located in London, Redhill and Stansted. Work has already started and completion is scheduled for March 1988.

## £20m workload at Cementation

CEMENTATION companies within the building and civil engineering division of Trafalgar House have secured contracts worth £20m. One of the largest is from British Coal for the winding towers at the new mine development at Asfordby. The winding towers, a contract worth £2.9m, will be used during construction of the shafts as well as when the mine goes into operation.

Another contract, worth £3.6m, is for building British Aerospace's assembly hall at Hatfield. The company also has two preliminary works contracts, jointly worth £4.4m, one for site preparation and piling for the new Hastings Hospital, the other for earthworks at Stansted Airport. In the roadworks sector Cementation is carrying out £1.44m of concrete carriageway repairs on the A449 in Wales and a contract, worth £790,000, for a motorway maintenance depot on the M62 at Shillinghill, West Yorks.

Cementation Piling and Foundations is working in the City for Higgs and Hill Building providing both foundation piles and a secant piled wall, worth £730,000, for a commercial development at Tower Hill, the piled wall being required to accommodate the westward extension of the Docklands Light Railway. For the same contractor, the company is carrying out £250,000 worth of foundation piling for The Octagon development in Chiswell Street.

For an extension to the Viking Gas Terminal, Conoco's North Sea gas processing plant at Mablethorpe, John Brown Engineering has commissioned Cementation to provide piling and ground engineering work, plus associated civil engineering works, in a contract valued at nearly £1m.

★

TAYLOR WOODROW CONSTRUCTION (SCOTLAND) has received a contract, worth £277,000, from Babcock Power for the construction of a services building and other additional work at its Renfrew Works, near Glasgow. The work will comprise erection of a two-storey services building on concrete floors and roof and will include internal finishes. A single brick toilet block will also be constructed within a fabrication shop at present being built by Taylor Woodrow Construction (Scotland) on the site.



## £5.6m work for Warrington

THOMAS WARRINGTON AND SONS has won contracts worth more than £5.6m for projects in the north west. The awards include a £1m paper store extension for Shotton Paper, Shotton, north Wales, and a £1m sheltered accommodation contract at Warrington, Cheshire, for Grosvenor Housing Association.

Other projects range from a two-storey shopping arcade at Warrington (£490,000) and sheltered accommodation at Wallasey, Cheshire (£420,000) to a new primary school (£508,000) at Callands Road, Warrington, and local authority housing improvements (£433,000) at Roseheath Drive, Halewood, Merseyside.

The group's north Manchester office at Middleton has secured contracts for various projects including housing schemes for Rochdale Metropolitan Borough Council (£270,000); car showrooms and car park at Middleton (£415,000); twenty-four flats for St Vincent's Housing Association Rochdale, (£500,000) and other contracts totalling £350,000.

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ALLEN-FOX CONSTRUCTION, a member of the Allen Construction Group, has obtained orders totalling £3m for building contracts in the north west, London and north Wales. They include a production building extension at Samlesbury for British Aerospace, value £620,000; extensions to manufacturing facility at Liverpool for Glaxo Operations UK, value £260,000; an access road and loading canopy at Westhoughton for Metal Box, value £195,000 and a materials testing facility using fresh clean sea water at Holyhead for Shell Research.

Design and build awards include an office block at Bolton for Beloit Walmsley, value £710,000; a warehouse and offices at Oldham for Croda Colloids, value £260,000; store extensions at North Acton, London and Liverpool for Makro Self Service Wholesale value £382,000 and a pallet store in Oldham for W. H. Shaw and Son, value £100,000.

★

BISON CONCRETE has been awarded a second contract by Conder Projects Northern to supply deliver and fix all flooring for the second (East) phase of the car park in the Newcastle Metro complex now under construction. The order is additional to that recently announced, for Bison to supply all flooring for the West car park. It brings the total value to over £850,000.

THE WEEK IN THE COURTS

# Spending cuts speed wind of change

THE day after tomorrow the majesty of the law stages its perennial unfolding. This year there will not be quite the usual air of self-confidence about the judges and barristers who will parade in their full-bottomed wigs and splendid robes from Westminster Abbey to the Houses of Parliament for the Lord Chancellor's "breakfast."

That quaint ceremony, at which indifferent punch is sipped in conditions that have resembled an orderly but noisy scrummage, will not be the same. The Lord Chancellor has severely restricted the numbers invited; only one in three of the Queen's Counsel will get invitations each year.

Lord Hailsham's diktat is not, one suspects, just made in the cause of economy in public expenditure, but is a reflection of the turbulent times through which the legal profession has been going.

If there has not exactly been a tornado whistling through the dusty corridors of the Law Courts in the Strand and the Temple, a tidal wave is beginning to sweep away some of the driftwood that has accumulated undisturbed for many years.

October 1 1986 will doubtless be remembered in the legal calendar as the day on which the Crown Prosecution Service replaced the 40 or so police prosecuting authorities. It has not been an easy transition from police prosecutors (in most police forces, ably serviced by a solicitors' prosecuting office) to a professional prosecution service.

Recruitment has been difficult, and the new service is below establishment. Not all those lawyers who worked in the prosecutors' office have instantly accepted the move to a pure public legal service. The pay has not been all that attractive at the lower ends of the scale.

Some of these lawyers have opted for privatisation and are offering themselves as advocates in private practice to help out the hard-pressed Crown prosecutors.

Some lawyers are saying that the new service is a shambles. Sir Thomas Hetherington, the Director of Public Prosecutions, is cautiously optimistic. Clearly, the Crown Prosecution Service will undergo birth pangs, and there may be some cot deaths in the courts while the service acclimatises itself to the volume of criminal business. Once firmly in the saddle and in full control of the volume and flow of the intake of criminal cases, the Crown Prosecution Service should manage, and produce a more rational system of criminal justice than a multiplicity of police forces ever could.

However the advent of the Crown Prosecution Service is not what has caused the fluttering in the legal dovecotes. The legal profession's self-assuredness has been shaken by other, some unprecedented, events.

Who, a year ago, could have imagined that the Bar and the Lord Chancellor would be slugging it out in the courts over the question of the proper amount of remuneration for those engaged in criminal legal aid work. Yet that happened earlier this year. The Bar won the court battle handsomely and decorously against a Lord Chancellor who sadly misjudged the profession's mood.

But if the barristers and solicitors doing criminal work won a more favourable pay award, the profession learnt a dreadful lesson. No longer could the profession count on their professional causes being waged for them by their co-professionals walking the corridors of political power.

Until the present administration, lawyers were outstandingly the most powerful lobby in Whitehall and Westminster and had been well protected against almost every wind of change. Now not even the large number of lawyers in the Thatcher Cabinet or in parliament can immunise the profession from monetarism and spending cuts.

It is a stark fact that many lawyers, particularly those practising in the criminal courts, are nowadays heavily reliant upon public funds for their livelihood and not just for a high income commensurate with their professional status. They too are exposed to the blizzards of economic stringency.

The civil lawyer is also coming in for financial scrutiny, to the extent that his practice depends on the legal aid system. The Lord Chancellor's Department recently produced a report, Legal Aid Scrutiny, which recommended wide-ranging changes in the legal aid scheme.

One recommendation is the abolition of the Green Form, a method of providing instant legal advice and assistance from solicitors. Funds currently made available by government for this service are demand-led. In future they would go towards the funding of law centres and Citizens' Advice Bureaux. But the amount the centres would receive would be a fraction of that estimated by the National Consumer Council as necessary to satisfy a growing public demand for legal services.

The motive for the scrutiny report is to cut costs, which will entail massive reductions in the quantity and quality of legal advice services. And the solicitor in private practice will have lost the Green Form system, and have nothing to replace it. He is already suffering the loss of the conveyancing business under recent legislation.

Poorer people only become the clients of private practising lawyers when there is a fully-fledged state-aided legal system.

Lawyers are worried that their public image, never rated highly at the best of times, will be further tarnished by their inability to provide a good legal service to everybody who seeks it. There are positive indications that the legal profession is keen at least to jettison some of the many restrictive practices that have sustained a divided profession, and to accommodate modern social requirements.

The Law Society has produced a consultative document proposing a unified educational system for both branches of the profession and a unified entry, with those seeking to be advocates and specialists splitting off in early or mid-career.

The Bar's response has so far been negative, if not dismissive. Nevertheless it has taken up the challenge of reform and has a committee under Lady Marre looking at alternative ways of organising the profession.

Apart from the public perception of lawyers and the law, there is a nagging worry among lawyers about how well the legal process functions.

The Lord Chancellor has made a start with a working party on reviewing the whole of the civil justice system. Other activities are afoot for reforming the legal system. It is as if the lawyers are taking to heart the cynical observation of Anatole France, that justice is society's instrument for legitimising society's injustices.

**Justinian**

# Bar chairman backs wider advocacy for solicitors

BY HAZEL DUFFY

MR ROBERT ALEXANDER, chairman of the Bar, has conceded that solicitors could undertake more advocacy work in the Crown Courts. The Law Society has been pressing for solicitors to be allowed greater "rights of audience" in such courts.

Speaking to the British Legal Association in Oxford at the weekend, Mr Alexander said: "There are solicitor advocates who are highly competent. Since every profession has its weaker members, it would be unreal to pretend that all barristers are abler advocates than these competent solicitors."

He added: "It is also of concern when a solicitor who has conducted a committal in the Magistrates Court, which has gone forward to a guilty plea at trial, is prevented from giving the clients continuity of service. While there are a considerable number of small cases —about 20 per cent of Crown Court cases—where solicitors have rights of audience, there are still some of the simpler kind of case in which they have no such right."

He went on to suggest a "licensing" system — perhaps conducted by a combination of local circuit judges and magistrates — to ensure that only competent solicitor advocates gained access to the court. It might also be desirable to consider whether the extended rights of audience should be limited to cases in which solicitors had acted in the magistrates court, he said.

In the past, Mr Alexander has supported the continuance of a separate and independent Bar. He rejected proposals produced by a working party of the Law Society — to be discussed at the society's annual conference next month — suggesting that there should be a common system of education of lawyers, from which a small number would go on to specialise in advocacy. This "would not improve the skills of barristers and would be likely to lead to confusion."

Another argument for a single legal profession — that one lawyer is cheaper than two — was dismissed by Mr Alexander on the grounds that barristers have lower overheads than solicitors and are therefore competitive.

# LONDON RECENT ISSUES

## EQUITIES

| Issue Price | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price | + or − | Net. Div. | Times Cov'd | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| §43 | F.P. | — | 59 | 49 | ‡Broad St. Grp.10p | 49 | −2 | b1.1 | 2.2 | 3.2 | 20.2 |
| §130 | F.P. | 17/10 | 195 | 152 | ‡Creighton Labs 20p | 178 | −4 | U3.7 | 2.2 | 2.9 | 21.6 |
| 160 | F.P. | 24/10 | 146 | 125 | Euro Home Products 5p | 125 | −3 | R4.25 | 2.5 | 4.8 | 9.6 |
| §105 | F.P. | 16/10 | 112 | 105 | ‡Eve Construction | 106 | −1 | b4.5 | 3.2 | 6.0 | 7.5 |
| 134 | F.P. | — | 161 | 134 | ‡F & H Group 10p | 142 | −3 | L4.76 | 2.5 | 4.6 | 12.0 |
| ‖ | F.P. | — | 28 | 27½ | Group Development | 27½ | −½ | — | — | — | — |
| 150 | F.P. | 15/8 | 165 | 156 | Harrison Inds. 10p | 158 | ...... | φ5.0 | 2.7 | 4.5 | 11.8 |
| 105.25 | F.P. | — | 108 | 104 | India Fund £1 | 108 | ...... | — | — | — | — |
| §135 | F.P. | — | 154 | 145 | ‡Local London Group 5p | 153 | −1 | W5.0 | 1.8 | 4.6 | 17.2 |
| §75 | F.P. | 24/10 | 79 | 75 | ‡Nevage Trans 5p | 75 | ...... | R3.5 | 2.5 | 6.6 | 8.5 |
| §25 | F.P. | 22/10 | 25½ | 25½ | Nth of Scotland Inv 10p | 25½ | ...... | — | — | — | — |
| 135 | F.P. | 24/10 | 160 | 151 | Sandell Perkins 10p | 158 | ...... | u3.8 | 2.9 | 3.4 | 14.5 |
| — | F.P. | — | 18½ | 9 | Sutcliffe Speak Wrnts | 17 | ...... | — | — | — | — |
| 130 | F.P. | 21/8 | 173 | 137 | ‡TV-am 10p | 166 | −3 | R5.75 | 2.6 | 4.9 | 11.1 |
| ‖‖ | F.P. | — | 385 | 368 | ‡Utd. Trust & Credit £1 | 370 | −2 | u14.0 | 2.1 | 5.3 | 12.8 |
| †† | F.P. | — | 100 | 85 | Welsh Ind. Inv. Tst. 5p | 85 | ...... | — | — | — | — |
| 125 | F.P. | 10/10 | 156 | 137 | Yorkshire TV | 138 | ...... | R6.25 | 2.4 | 6.4 | 9.3 |

## FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price £ | + or − |
|---|---|---|---|---|---|---|---|
| £100 | F.P. | 23/10 | 100½ | 92½ | Bournem'th & Dist Wtr 10⅝%Rd Db 1996 | 92½ | −1½ |
| ¶¶ | F.P. | 26/9 | 94p | 80p | Hollis 252% Cnv. Subord. Ln. 1988 (2½p) | 80p | ...... |
| §100 | £10 | — | 9½ | 5½ | Mid-Sussex Water 11% Red Deb 2012-16 | 5½ | −1½ |
| §100 | F.P. | 10/10 | 110½p | 105p | Mountleigh 5.25% Cnv. Cum. Prf. | 106p | −4 |
| §99.937 | £25 | 24/10 | 25¾ | 23½ | Nationwide 3⅞% IL Ln. 2021 | 24 | ...... |
| — | F.P. | — | 100⅛ | 98⅞ | Do 9½% 7/9/87 | 98¾ | +⅛ |
| — | F.P. | — | 100⅛ | 99¾ | Do 10⅛% 21/9/87 | 99¾ | −⅛ |
| §100 | F.P. | 23/10 | 100½ | 92½ | Portsmouth Water 10⅝% RedDeb 1996 | 92½ | −1½ |
| ‖ | F.P. | 24/10 | 108½p | 101p | Rush & Tompkins 7.5% Cnv. Cum. Red. Prf £1 | 101p | ...... |
| 96.645 | £25 | 8/1 | 24¾ | 18½ | Scot. Met. Prop. 10¼% 1stMort. Deb. 2016 | 18½ | −¼ |
| — | F.P. | — | 98p | 96p | Sutcliffe Speak 9½% Red. Cum. Prf. | 98p | ...... |
| ¶¶ | F.P. | — | 122p | 116p | WCRS 55% Cnv. Cum. red. Pref. 1999 | 116p | −3 |
| ¶¶ | F.P. | — | 95p | 92½p | Walker (C & W) 6½pc Cnv Cum Red Pref | 92½ | ...... |
| ¶¶ | F.P. | — | 104p | 103p | Williams Hldgs 5¼% Cum Cnv Prf | 103p | −1 |

## "RIGHTS" OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price p | + or − |
|---|---|---|---|---|---|---|---|
| 120 | Nil | — | 17½pm | 17½pm | Brent Chemicals 10p | 17½pm | ...... |
| 195 | Nil | — | 18pm | 6pm | Bunzl | 6pm | −4 |
| ‖ | Nil | 24/10 | 1pm | ½pm | Cambiom Venture Cap. 5p | ½pm | ...... |
| 25 | Nil | — | 8pm | 8pm | Christy Hunt | 8pm | ...... |
| 75 | Nil | — | 30pm | 24pm | Ind. Fin. & Inv. Corp. | 30pm | ...... |
| 215 | Nil | — | 5pm | 3½pm | New Court Nat. Res. 5p | 3½pm | ...... |
| 215 | Nil | 22/10 | 25pm | 11pm | Persimmon 10p | 11pm | −5 |
| 250 | Nil | — | 49pm | 43pm | Tiphook 10p | 48pm | ...... |
| 60 | Nil | — | 13pm | 13pm | United Spring 10p | 13pm | ...... |

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.





## FT CROSSWORD PUZZLE No. 6,137

DANTE

**ACROSS**

1 Pub's bill for wine (6)
4 Supporter leaped exultantly about the street (8)
9 Acted evasively, being naturally guarded (6)
10 The sort of speech that gets reported (8)
12 Hands and feet, for example (8)
13 Rush into a job for life (6)
15 Bias shown by the team (4)
16 Generally helpful, he has the odd idea to abscond (4-2-4)
19 Finished full of wrath and in jeopardy (10)
20 Beheaded, it would be even more venomous (4)
23 I'm taking a certain attitude for tax (6)
25 This ruler won't give an inch (8)
27 Be patronising in speech and overbearing in argument (4, 4)
28 Threaten one politician with death (6)
29 They may give me a lord's estates (8)
30 Divert expedition around summit (6)

**DOWN**

1 Place the poor actor bleats about (7)
2 Obviously guilty, with a fistful of diamonds? (3-6)
3 Drive to a meeting place? (6)
5 A mis-shapen nose ages (4)
6 Times are changing for Arab states (8)
7 The main idea of work, perhaps (5)
8 Goes flat out arranging tenancies to rent (4, 3)
11 Bowl with hand over (7)
14 Retribution seems in order (7)
17 Possibly meant to go round some accommodation (9)
18 Biased team and what may be done about it (3-5)
19 Letter that is spelt badly (7)
21 Knock up a note before ten? It can be true (7)
22 Snooker on the green? (6)
24 Manufactured pearl is not so lustrous (5)
26 In tennis Wimbledon is one way to make sporting progress (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

# AUTHORISED UNIT TRUSTS

# FT UNIT TRUST INFORMATION SERVICE



[illegible]

# AUTHORISED UNIT TRUSTS & INSURANCES

### Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

| | | | | |
|---|---|---|---|---|
| Australasian Gold | 23.3 | 24.9 | +0.4 | 0.15 |
| Pacific Basin | 19.6 | 20.9 | +1.4 | 0.2 |
| Canadian Balncd Growth | 58.9 | 62.9 | +0.4 | 0.98 |
| Glove Mac | 101.6 | 108.8 | +0.1 | 7.1 |

### WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 425431

| | | | | |
|---|---|---|---|---|
| British Smllr Co's (z) | 57.4 | 59.0 | -0.4 | 1.5 |
| British Growth (z) | 66.2 | 67.0 | -0.9 | 2.5 |
| British Income (z) | 66.2 | 68.1 | -0.6 | 4.75 |
| British Extra Yield(z) | 49.6 | 51.0 | -0.3 | 7.0 |

### Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

| | | | | |
|---|---|---|---|---|
| Short Dtd Gilt Fd | 67.7 | 68.8 | — | — |
| U.S. Govmt Bond Fd | $0.511 | 0.524 | — | — |

### Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

| | | | | |
|---|---|---|---|---|
| Capital & Equity Tst | 48.3 | 51.4 | -0.3 | 7.47 |
| Growth Trust | 50.9 | 54.3 | -1.0 | 2.29 |
| Income Trust | 52.8 | 56.3 | -0.9 | 5.17 |

### Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

| | | | | |
|---|---|---|---|---|
| Growth Fund | 69.1 | 72.4 | — | 2.90 |

Weekly dealing day Tuesday

### The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

| | | | | |
|---|---|---|---|---|
| Y.G.T. | 125.5 | 133.4 | -1.0 | 3.25 |

# INSURANCES

### AA Friendly Society
(Investment Mngr M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4WW 0222 35542

| | | | | |
|---|---|---|---|---|
| AA Friendly Sy Aug 12 | | 105.9 | — | — |

### Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

| | | | | |
|---|---|---|---|---|
| Prop. Ser. 1 | 207.2 | 218.2 | — | — |
| Equity Ser. 1 | 99.0 | 104.3 | -2.0 | — |
| Prop Acc. Ser 2 | 278.8 | 293.5 | — | — |
| Equity Ser 2 | 107.6 | 113.3 | -2.1 | — |

[illegible]

### City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

| | | | | |
|---|---|---|---|---|
| Ivory & Sime Bond | 103.0 | 109.0 | +3.0 | — |
| Risk & Reward Bond | 123.0 | 130.0 | — | — |
| Murray Johnstone Fd | 121.0 | 128.0 | — | — |
| Money Market Fd | 104.0 | 110.0 | — | — |
| Ivory & Sime Pens Fd | 102.0 | 108.0 | — | — |
| Risk & Reward Pens Fd | 105.0 | 111.0 | +2.0 | — |
| Murray Jnstne Pens Fd | 118.0 | 124.0 | — | — |
| Money Market Pens Fd | 104.0 | 110.0 | — | — |

### City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2KU Tel: 0908 690888

| | | | | |
|---|---|---|---|---|
| Current Series | | | | |
| Property Fund | 113.0 | 119.0 | — | — |
| Money Fund | 222.8 | 234.6 | +0.1 | — |
| Managed Fund | 401.2 | 422.4 | -3.0 | — |
| Equity Fund | 247.8 | 260.9 | -4.4 | — |
| Fixed Interest Fund | 140.0 | 147.4 | -3.1 | — |
| Far East Fund | 218.3 | 229.8 | +2.5 | — |
| North American Fund | 166.7 | 175.5 | -1.8 | — |
| Natural Resources Fund | 141.4 | 148.9 | -2.0 | — |
| Pension Managed Fund | 377.0 | 396.9 | — | — |
| Pension Equity Fund | 238.9 | 251.5 | +0.1 | — |
| Adventurous Mngd Fd | 113.1 | 119.1 | — | — |
| Balanced Mngd Fd | 109.8 | 115.6 | +0.1 | — |
| Conservative Mngd Fd | 105.9 | 111.5 | +0.0 | — |
| European Fund | 104.7 | 110.3 | +0.1 | — |
| International Fund | 115.5 | 121.6 | — | — |
| S.U.M. Flexible Fd | 121.4 | 127.8 | +0.2 | — |

For other prices please telephone 0908 606101/660888

### Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

| | | | | |
|---|---|---|---|---|
| Investment Funds | | | | |
| Mixed | 131.0 | 137.9 | -0.7 | — |
| Equity | 146.5 | 154.3 | -1.9 | — |
| Property | 109.1 | 114.9 | — | — |
| Gilt & Fixed Interest | 107.6 | 113.3 | -0.2 | — |
| Indexed Securities | 98.6 | 103.8 | -0.2 | — |
| Cash | 107.6 | 113.3 | — | — |
| North American | 106.2 | 111.8 | — | — |
| Far East | 132.9 | 139.9 | -0.1 | — |
| International | 124.9 | 131.5 | -0.1 | — |
| Special Situations | 143.1 | 150.7 | -0.6 | — |
| International Income | 138.6 | 145.9 | -0.4 | — |
| American Income | 116.3 | 122.5 | +0.4 | — |
| European | 148.3 | 156.2 | +0.2 | — |
| Flexible Retirement Plan | | | | |
| Mixed | 134.9 | 142.0 | -0.7 | — |
| Equity | 141.1 | 148.4 | -2.0 | — |

[illegible]

# INSURANCE, OVERSEAS & MONEY FUNDS

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

## Money Market Trust Funds

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE. 01-236 1425

| | | | | |
|---|---|---|---|---|
| Call Fund | 9.46 | 6.92 | 9.04 | 6-Mth |
| 7-day Fund | 9.18 | 6.86 | 9.03 | 6-Mth |
| Dollar | 5.69 | — | — | 6-Mth |

## Money Market Bank Accounts

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Adam & Co. plc** | | | | |
| 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484 | | | | |
| Full Service Chq Acc | 9.25 | 6.90 | 9.82 | Qtr |
| **Aitken Hume** | | | | |
| 30 City Road, EC1Y 2AY. 01-638 6070 | | | | |
| Treasury Acc | 9.25 | 6.93 | 9.99 | Qtr |
| Wdh. Int. Chq. | 9.25 | 6.93 | 10.04 | Mth |
| **Allied Arab Bank Ltd** | | | | |
| 97-101 Cannon St, London, EC4N 5AD 01-283 9111 | | | | |
| High Int. Cheque Acc | 10.125 | 7.57 | 11.04 | Mth |
| **Bank of Scotland** | | | | |
| 38 Threadneedle St, EC2P 2EH. 01-628 8060 | | | | |
| Money Mkt Cheque Acc | 9.50 | 6.95 | 10.11 | Mth |
| **Barclays Prime Account** | | | | |
| PO Box 125, Northampton 0604 252891 | | | | |
| High Int. Cheque | 9.50 | 7.00 | 10.12 | Qtr |
| **Benchmark Trust Ltd** | | | | |
| 9 Henrietta Place, W1M 9AG. 01-631 3313 | | | | |
| Cap Chq Deposit Acc | 9.25 | 6.90 | 10.04 | Mth |
| **Charterhouse Bank Limited** | | | | |
| 1 Paternoster Row, EC4M 7DH. 01-248 4000 | | | | |
| Sterling | 9.50 | 7.10 | 10.38 | Mth |
| U.S. Dollar | 5.375 | 4.02 | 5.70 | Mth |
| German Marks | 4.00 | 2.99 | 4.27 | Mth |
| Swiss francs | 1.50 | 1.12 | 1.59 | Mth |
| Japanese Yen | 4.00 | 2.99 | 4.27 | Mth |
| **Citibank Savings** | | | | |
| St Martins Hse, Hammersmith Grove 01-381 1422 | | | | |
| Money Market Plus | Top rate | 7.00 | 10.18 | Mth |
| For other rates please 'phone our Helpline 01-993 0629 | | | | |
| **Co-operative Bank Cheque & Save** | | | | |
| 78-80 Cornhill EC3 01-626 6543 | | | | |
| £500-£2,500 | 6.69 | 5.00 | 7.18 | Qtr |
| £2,500 + | 9.36 | 7.00 | 10.12 | Qtr |
| **Dartington & Co Ltd** | | | | |
| Dartington, Totnes, Devon TQ9 6JE 0803 862271 | | | | |
| Money Mkt Acc | 9.50 | 7.10 | 10.30 | Qtr |
| **Henderson/Bank of Scotland** | | | | |
| 38 Threadneedle St EC2P 2EH 01-628 8060 | | | | |
| Money Mkt. Cheque Acc | 9.50 | 6.95 | 10.11 | Mth |
| **Legal & General (Money Mngrs) Ltd** | | | | |
| 355 Euston Road, NW1 3AG 01-388 3211 | | | | |
| High Int Dep Acc | 9.70 | 7.25 | 10.39 | 6-mth |
| **Lloyds Bank PLC** | | | | |
| 71 Lombard St, London EC3P 3BS 01-626 1500 | | | | |
| High Int Cheque Account | 9.00 | 7.20 | 10.42 | Qtr |
| **Lombard North Central PLC** | | | | |
| 17 Bruton St, W1A 3DH 01-409 3434 | | | | |
| 14-Day Notice | 9.00 | 6.72 | 9.40 | — |
| **M & G/Kleinwort Benson** | | | | |
| M & G Hse., Victoria Rd., Chelmsford 0245 266266 | | | | |
| H.I.C.A. (£2,500+) | 9.01 | 6.73 | 9.38 | Daily |
| **Midland Bank plc** | | | | |

### NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend.

## TRADITIONAL OPTIONS

### 3-month call rates

| Industrials | p |
|---|---|
| Allied-Lyons | 30 |
| Amstrad | 25 |
| BAT | 35 |
| BOC Grp. | 28 |
| BSR | 11 |
| BTR | 28 |
| Babcock | 37 |
| Barclays | 45 |
| Beecham | 48 |
| Blue Circle | 55 |
| Boots | 22 |
| Bowaters | 30 |
| Brit Aerospace | 45 |
| Brit. Telecom | 17 |
| Burton Ord | 28 |
| Cadburys | 17 |
| Charter Cons. | 22 |
| Cogm Union | 28 |
| Courtaulds | 26 |
| FNFC | 17 |
| Gen Accident | 75 |
| Gen Electric | 17 |
| Glaxo | 85 |
| Grand Met | 34 |
| GUS 'A' | 85 |
| Guardian | 75 |
| GKN | 32 |
| Hanson Tst. | 16 |
| Hawker Sidd | 48 |
| ICI | 55 |
| Jaguar | 38 |
| Ladbroke | 32 |
| Legal & Gen | 24 |
| Lex Service | 28 |
| Lloyds Bank | 38 |
| Lucas Inds | 52 |
| Marks & Spencer | 18 |
| Midland Bk. | 44 |
| Morgan Grenfell | 30 |
| NEI | 11 |
| Nat West Bk. | 48 |
| P & O Dfd. | 45 |
| Plessey | 18 |
| Polly Peck | 16 |
| Racal Elect | 16 |
| RHM | 20 |
| Rank Org Ord. | 45 |
| Reed Intnl | 75 |
| STC | 16 |
| Sears | 12 |
| TI | 42 |
| Tesco | 32 |
| Thorn EMI | 40 |
| Trust Houses | 15 |
| Turner Newall | 18 |
| Unilever | 120 |
| Vickers | 40 |
| Wellcome | 17 |
| **Property** | |
| Brit Land | 16 |
| Land Secs | 30 |
| MEPC | 32 |
| Peachey | 24 |
| **Oils** | |
| Brit. Oil & Min. | $2\frac{1}{2}$ |
| Brit Petroleum | 48 |
| Burmah Oil | 30 |
| Charterhall | 4 |
| Premier | $3\frac{1}{2}$ |
| Shell | 55 |
| Tricentrol | 11 |
| Ultramar | 18 |
| **Mines** | |
| Cons Gold | 40 |
| Lonrho | 24 |
| Rio T Zinc | 58 |

# LONDON SHARE SERVICE

## BRITISH FUNDS

| Interest Due | Stock | Price £ | Last xd | Yield Int. | Yield Red. |
|---|---|---|---|---|---|
| | **"Shorts" (Lives up to Five Years)** | | | | |
| 29 Oct | Exch 14pc 1986 | 100½xd | 22.9 | 13.95 | 10.07 |
| 21 Nov | Exch. 2½pc 1986 | 99½ | 14.4 | 2.52 | 8.41 |
| 22Jan | Exch. 13¼pc 1987 | 100¾ | 16.6 | 13.17 | 11.15 |
| 10 Feb | Treas 10½pcCv '87 | 99¾ | 4.7 | 10.28 | 10.87 |
| 24Feb | Exch 2½pc 1987 | 97½ | 18.7 | 2.56 | 8.35 |
| 6Apr | Exch. 10½pc 1987 | 99¾xd | 1.9 | 10.53 | 11.06 |
| 1 May | Funding 6½pc 85-87 | 98½xd | 25.9 | 6.62 | 9.99 |
| 12June | Treas. 10pc 1987 | 99¾ | 5.5 | 10.06 | 10.75 |
| 14July | Treas 3pc 1987 | 95½ | 30.6 | 3.14 | 8.73 |
| 3Nov | Treas. 12pc 1987 | 100¾ | 28.3 | 11.90 | 11.10 |
| 26 Jan | Treas 7¾pc 1985-88‡‡ | 96¾ | 19.6 | 8.01 | 10.37 |
| 10May | Exch 10½pc '88 | 98¾ | 3.4 | 10.61 | 11.20 |
| 14June | Treas 9¾pc Cv '88 | 97¾ | 8.5 | 9.96 | 11.11 |
| 1Jan | Transport 3pc '78-88 | 90½ | 27.5 | 3.31 | 8.87 |
| 25 Oct | Treas. 9½pc '88 | 96¾xd | 18.9 | 9.80 | 11.22 |
| 22 Feb | Treas 11½pc 1989 | 100¼ | 16.7 | 11.45 | 11.24 |
| 18 Apr | Treas 9½pc Cnv 1989 | 96¼xd | 11.9 | 9.84 | 11.25 |
| 15May | Treas 3pc 1989 | 87½ | 8.4 | 3.44 | 8.52 |
| 14Jan | Treas 10½pc 1989 | 98½ | 8.5 | 10.70 | 11.29 |
| 1Aug | Exch 10pc 1989 | 96¾ | 25.6 | 10.32 | 11.24 |
| 29 Sep | Exch 11pc 1989 | 99¼xd | 26.8 | 11.06 | 11.23 |
| 15 Oct | Treas 5pc 1986-89 | 88¾xd | 8.9 | 5.64 | 9.39 |
| 15 Nov | Exch 10½pcCv '89 | 99½ | 8.4 | 10.29 | 10.36 |
| 15 Jan | Treas 13pc 1990‡‡ | 104¾ | 9.6 | 12.40 | 11.17 |
| 12 Feb | Exch 11pc 1990‡‡ | 99¾ | 7.7 | 11.06 | 11.17 |
| 22 Mar | Exch. 12¼pc 1990 | 103¾ | 18.8 | 12.04 | 11.16 |
| 8 May | Treas. 3pc 1990 | 83½ | 1.4 | 3.61 | 8.52 |
| 15 Jan | Treas 8¼pc 1987-90‡‡ | 93¾ | 9.5 | 8.80 | 10.30 |
| 25 Oct | Treas. 10pcCv 1990 | 96¼xd | 18.9 | 10.41 | 11.25 |
| 22 Nov | Exch 2½pc 1990 | 80 | 15.4 | 3.13 | 8.28 |
| 10 Jan | Treas 11¾pc 1991 | 101¾ | 9.6 | 11.55 | 11.13 |
| 5Apr | Funding 5¾pc '87-91‡‡ | 87½xd | 1.9 | 6.56 | 9.16 |
| 13 May | Treas. 3pc 1991ø | 80 | — | 3.75 | 8.30 |
| | **Five to Fifteen Years** | | | | |
| | [illegible] | | | | |

### Over Fifteen Years

[illegible]

### Undated

[illegible]

### Index-Linked

[illegible]

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

## CORPORATION LOANS

[illegible]

## COMMONWEALTH & AFRICAN LOANS

[illegible]

## LOANS

### Building Societies

[illegible]

### Public Board and Ind.

[illegible]

### Financial

[illegible]

## FOREIGN BONDS & RAILS

[illegible]

## AMERICANS

[illegible]

## AMERICANS—Cont.

| Dividends Paid | Stock | Price £ | Last xd | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| Ap Jy Oc Ja | Chemical New York | 31 | 10.9 | $2.60 | — | 5.7 |
| Mar Jun S D | Chesebrough-Pond's $1 | 32½ | 29.8 | $2.00 | — | 4.4 |
| Mar Jun S D | Chrysler $6¼ | 26 | 10.9 | $1.40 | — | 3.7 |
| My Au N F | Citicorp $4 | 35½xd | 24.3 | $2.26 | — | 4.4 |
| Fb My Ag Nv | CityFed Fin. Corp. | 11 | 30.12 | 40c | — | 2.5 |
| F My Au N | Colgate-P. $1 | 25½ | 22.4 | $1.36 | — | 3.6 |
| Mr.Ju.Se.De. | Colt Inds. $1 | 66½xd | 10.6 | $2.50 | — | 2.6 |
| Fe My Au Nv | Cons Freightways $0.625 | 23½ | 6.5 | 82c | — | 2.4 |
| Fe My Au Nv | Contl Illinois Corp $1 | 418p | — | — | — | — |
| Fe My Au Nv | Cont Illinois Hldgs $1 | 18p | 3.84 | — | — | — |
| — | ♥Corporate Data Scnce. | 60½p | — | — | — | — |
| — | Cullinet Sftwr $0.1 | 497p | — | — | — | — |
| — | Dawson Oil 40c | 78½p | — | — | — | — |
| Mar Jun S D | Dana Corp. $1 | 19¾ | 22.8 | $1.28 | — | 4.5 |
| — | Data General | 21¾ | — | — | — | — |
| — | ♥Denma-Lock Medcl | 9p | — | — | — | — |
| Mr Jn Sp Dc | Dun & Bradstreet $1 | 72½ | 15.8 | $2.56 | — | 2.4 |
| F My Au N | Eaton Corpn. 50c | 47½ | 30.7 | $1.60 | — | 2.3 |
| MrJnSepDec | FPL Group $0.01 | 22 | 26.8 | $2.04 | — | 6.3 |
| | Fairmont Fin. | 11¾ | — | — | — | — |
| F May Au N | Fin. Corpn. Amer. 50c | 497p | 25.6 | — | — | — |
| Jan Apr Jly O | First Chicago $5 | 19½ | 1.9 | $1.32 | — | 4.7 |
| Mar Jun S D | Ford Motor $2 | 36½ | 30.7 | $2.20 | — | 4.2 |
| Mar Jun S D | GATX 62½c | 21½ | 9.9 | $1.50 | — | 4.7 |
| April Oct | Gen. Elect. $1¼ | 50½ | 3.6 | $2.32 | — | 3.2 |
| — | ♥General Host Corp $1 | 960p | — | 22c | — | 1.6 |
| Mar Jun S D | Gillette $1 | 26½ | 29.7 | $2.72 | — | 7.0 |
| Fb.My.Aug.Nv. | Gt Am First Svgs Bk $1 | 12½xd | 25.7 | ♦28.7c | — | 1.5 |
| Fe.My.Au.No. | Gt. Western Fin. $1 | 27½ | 30.4 | $1.20 | — | 3.0 |
| Ja Ap Jy Oc | Greyhound $1.50 | 22¼ | 27.8 | $1.26 | — | 3.9 |
| Ja No Au My | Hasbro Inc $0.50 | 18½ | 18.8 | 9c | — | 0.3 |
| Mar Jun S D | Honeywell $1.50 | 49½ | 26.8 | $2.00 | — | 2.8 |
| No Au Ap Ja | Hospital Corp Am $1 | 26½ | 30.6 | 50c | — | 1.3 |
| My Jn Se Dc | Houston Inds Inc§ | 22½ | 12.8 | $2.80 | — | 8.4 |
| Mar Jun S D | IBM Corpn $1.25 | 94½ | 8.4 | $4.40 | — | 3.2 |
| Ap Jy Oc Ja | IC Industries | 17½ | 9.9 | 72c | — | 2.9 |
| | [illegible] | | | | | |

## CANADIANS

[illegible]

## BANKS, HP & LEASING

[illegible]

### Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS—Cont.

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY & STORES—Cont.

[illegible]

## ELECTRICALS

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING—Continued

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS—Continued

[illegible]

## INDUSTRIALS—Continued

[illegible]

## INSURANCES

[illegible]

## LEISURE

[illegible]

## LEISURE—Continued

[illegible]

### MOTORS, AIRCRAFT TRADES

#### Motors and Cycles

[illegible]

#### Commercial Vehicles

[illegible]

#### Components

[illegible]

#### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PROPERTY

[illegible]

## PROPERTY—Continued

[illegible]

## SHIPPING

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRUSTS, FINANCE, LAND

### Investment Trusts

[illegible]

## INVESTMENT TRUSTS—Cont.

[illegible]

### Finance, Land, etc

[illegible]

## FINANCE, LAND—Cont.

[illegible]

## OIL AND GAS

[illegible]

## OVERSEAS TRADERS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

## MINES—Continued

### O.F.S.

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]

### Finance

[illegible]

### Australians

[illegible]

### Tins

[illegible]

### Miscellaneous

[illegible]

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | |
|---|---|---|
| Albany Inv 20p | 58 | ..... |
| Craig & Rose £1 | £13½ | ..... |
| Finlay Pkg. 5p | 48 | ..... |
| Holt (Jos) 25p | 820 | ..... |
| IoM Stm. £1 | 73 | ..... |
| **IRISH** | | |
| Fund 11¼% 1988 | £100 | −¼ |
| Nat. 9¼% 84/89 | £96⅛ | −⅛ |
| Fin. 13% 97/02 | £104⅓ | −⅜ |
| Arnotts | 250 | −10 |
| CPI Hldgs | 48 | ..... |
| Carroll Inds. | 120 | ..... |
| Dublin Gas | 30 | ..... |
| Hall (R. & H.) | [illegible] | ..... |
| Heiton Hldgs. | 38 | ..... |
| Irish Ropes | 95 | ..... |
| Unidare | 251 | ..... |

" Recent Issues " and " Rights " Page 35
(International Edition Page 25)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

# FINANCIAL DIARY

[illegible]

# BUSINESSMAN'S DIARY

## UK TRADE FAIRS AND EXHIBITIONS

**Current**
British Footwear Fair (01-739 2071) (until September 30) — Olympia

**October 1-2**
The Showman's Show (04868 22184) Cranfield Space Centre

**October 5-9**
Building '86 (01-486 1951) — Earls Court

**October 10-12**
National Franchise Exhibition '86 (01-727 1929) — Kensington Exbn Centre

**October 15-17**
National Aid for the Disabled Exhibition (0892 44027) — Alexandra Palace

**October 15-26**
British Motor Show (trade only 15-17) (01-235 7000) — NEC, Birmingham

**October 17-19**
International Property and Time-sharing Exhibition (01-387 7878) — Cumberland Hotel, W1

**October 21-23**
International Financial Services and Technology Exhibition (01-940 6065) — Barbican Centre

**October 21-24**
London Business Equipment Show (01-405 6233) — Earls Court

**October 28-30**
Instrumentation Conference and Exhibition — TEST & TRANSDUCER (0822 4671) — Wembley Conference Centre

**October 29-November 2**
International Bike Show (01-385 1200) — Olympia

**October 30-November 2**
London Money Show—MONEY (01-948 5166) — Olympia

## OVERSEAS TRADE FAIRS

**September 30-October 4**
International Machine Tool Trade Fair — INTERTOOL (01-977 4551) — Vienna

**October 1-6**
Book Fair — FRANKFURTER BUCHMESSE (01-734 0543) — Frankfurt

**October 6-12**
International Wine and Spirits Show (0494 775444) — Montreal

**October 16-21**
International Office Trade Fair—ORGATECHNIK (01-930 7251) — Cologne

**October 19-27**
International Equipment and Services for Hotels Exhibition—EQUIP HOTEL (01-439 3964) — Paris

**October 20-24**
International Market of Sub-Contracting Exhibition—MIDEST (01-439 3964) — Bordeaux

**October 21-25**
International Forestry, Timber Processing and Woodworking Exhibition — WOODWORKING INDONESIA (01486 1951) — Jakarta

**October 28-30**
Trade Fair for Clothing Textiles — INTERSTOFF (01-734 0543) — Frankfurt

**October 31-November 2**
Skiing and Winter Tourism Exhibition (01-486 1951) — Helsinki

**November 6-9**
Hong Kong Trade Fair—INDUSTRY (0206 45121) — Hong Kong

**November 13-19**
International Food Industry Equipment and Technology Exhibition—GIA (01-439 3964) — Paris

## BUSINESS AND MANAGEMENT CONFERENCES

**September 30-October 2**
Royal Institute of Navigation: Worldwide Navigation into the 21st Century (01-589 5021) — Brighton Metropole

**October 2-4**
International Association of Energy Economists: Energy Conference (Norway 47-5 0525 50 40) — Bergen

**October 10**
Longman Seminars: Financing the media (01-242 4111) — Cavendish Centre, W1

**October 14**
The Royal Institute of International Affairs: Energy trends and control of energy costs (01-930 2233) Chatham House, SW1

**October 15-16**
FT Conferences. Electronic financial services (01-621 1355) — Hotel Inter-Continental, W1

**October 15-17**
British Consultants Bureau: World development—the role of consultancy into the 21st century (073085 711) London Hilton, W1

**October 19-21**
The Economist Conference Unit: Advanced manufacturing—making it work, making it pay (01-839 7000) — Intercontinental Hotel, Geneva

**October 21**
FT Conferences: Developing the Global Market for Equities (01-621 1355) — Merchant Taylors' Hall, EC2

**October 22**
The Royal Institute of International Affairs: Tradeable information — Europe against the world (01-930 2233) — Chatham House

**October 22-23**
The FT City Financial Series: Four half-day seminars on Technology, Marketing Security and Whither the Building Societies? (01-621 1355) — Barber-Surgeon's Hall, EC2

**October 23**
Confederation of British Industry: Getting Government grants (01-379 7400) Centre Point, WC1

**October 27-28**
Philadelphia Stock Exchange: 1986 International foreign currency options symposium (01-606 2348) — Four Seasons Hotel, Philadelphia

**October 29**
Arthur Young Acquisitions and disposals (0272 290808) Bristol

**November 2-4**
Path fast: International floriculture seminar (02566 78755) — Hotel Krasnepolsky, Amsterdam

**November 3-4**
FT Conferences: The City after the Financial Services Act (01-621 1355) — Hotel Inter-Continental, W1

**November 5-6**
IBC: Third annual advertising and marketing financial services conference (01-489 0849) — Royal Lancaster Hotel, W2

**November 6-7**
BIS Applied Systems: Communicating with OSI (01-633 0866) — Kensington Palace Hotel

**November 9-11**
Confederation of British Industry: National Conference 1986 (01-379 7400) — Bournemouth International Conference Centre

**November 11**
The Royal Institute of International Affairs: Malaysia as a commercial partner (01-930 2233) — Chatham House, SW1

**November 12-13**
Tennessee Associates: Managing for productivity through quality—the right way to manage (08833 6805) — Churchill Hotel, W1

**November 10-11**
FT Conferences: European Business Forum—Italy and the international economy (01-621 1355) — Rome

*Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.*

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 10 | Citibank NA | 10 | ● Morgan Grenfell | 10 |
| Adam & Company | 10 | Citybank Savings | ¶10.95 | Mount Credit Corp. Ltd. | 10 |
| Allied Arab Bk Ltd. | 10 | City Merchants Bank | 10 | Nat Bk. of Kuwait | 10 |
| Allied Dunbar & Co. | 10 | Clydesdale Bank | 10 | National Girobank | 10 |
| Allied Irish Bank | 10 | Comm. Bk. N. East | 10 | Nat Westminster | 10 |
| American Exp. Bk. | 10 | Consolidated Crd. | 10 | Northern Bank Ltd. | 10 |
| Amro Bank | 10 | Co-operative Bank | *10 | Norwich Gen. Trust | 10 |
| Henry Ansbacher | 10 | Cyprus Popular Bk. | 10 | PK Finans. Intl (UK) | 10½ |
| ANZ Banking Group | 10 | Duncan Lawrie | 10 | Provincial Trust Ltd. | 11 |
| Associates Cap Corp. | 10 | E. T. Trust | 11 | R. Raphael & Sons | 10 |
| Banco de Bilbao | 10 | Equatorial Tst. C'p plc | 10 | Roxburghe G'rantee | 11 |
| Bank Hapoalim | 10 | Exeter Trust Ltd. | 10½ | Royal Bk of Scotland | 10 |
| Bank Leumi (UK) | 10 | Financial & Gen. Sec. | 10 | Royal Tst Co Canada | 10 |
| Bank Credit & Comm. | 10 | First Nat. Fin. Corp. | 11 | Standard Chartered | 10 |
| Bank of Cyprus | 10 | First Nat. Sec. Ltd. | 11 | Trustee Savings Bnk | 10 |
| Bank of Ireland | 10 | ● Robert Fleming & Co. | 10 | UDT Mortgage Exp. | ¶10.9 |
| Bank of India | 10 | Robert Fraser & Ptrs. | 11 | United Bk of Kuwait | 10 |
| Bank of Scotland | 10 | Grindlays Bank | ‡10 | United Mizrahi Bank | 10 |
| Banque Belge Ltd. | 10 | ● Guinness Mahon | 10 | Westpac B'nking Corp | 10 |
| Barclays Bank | 10 | ● Hambros Bank | 10 | Whiteaway Laidlaw | 10½ |
| Benchmark Tst Ltd. | 10 | Heritable & Gen Tst. | 10 | Yorkshire Bank | 10 |
| Beneficial Trust Ltd. | 11 | HFC Trust & Savings | 10 | | |
| Berliner Bank AG | 10 | ● Hill Samuel | §10 | | |
| Brit. Bk. of Mid. East | 10 | C. Hoare & Co. | 10 | | |
| ● Brown Shipley | 10 | Hongkong & Shanghai | 10 | | |
| CL Bank Nederland | 10 | Knowsley & Co. Ltd | 10½ | | |
| Canada Permanent | 10 | Lloyds Bank | 10 | | |
| Cayzer Ltd | 10 | Meghraj & Sons Ltd. | 10 | | |
| Cedar Holdings | 11 | Mase Westpac Ltd. | 10 | | |
| ● Charterhouse Bank | 10 | Midland Bank | 10 | | |

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

# WORLD STOCK MARKETS

## AUSTRIA

| 1986 High | 1986 Low | September 26 | Price Sch |
|---|---|---|---|
| [illegible] | [illegible] | Creditanst'lt pp | [illegible] |
| [illegible] | [illegible] | Goesser | [illegible] |
| [illegible] | [illegible] | Interunfall | [illegible] |
| [illegible] | [illegible] | Jungbunzlauer | [illegible] |
| [illegible] | [illegible] | Landerbank | [illegible] |
| [illegible] | [illegible] | Perlmooser | [illegible] |
| [illegible] | [illegible] | Steyr Daimler | [illegible] |
| [illegible] | [illegible] | Veitscher Mag | [illegible] |

## BELGIUM/LUXEMBOURG

| 1986 High | 1986 Low | September 26 | Price Frs. |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |
| 11,760 | 7,710 | Sofina | 11,575 |
| 8,920 | 6,050 | Solvay | 7,650 |
| 585 | 244 | Stanwick Intl | 250 |
| 6,770 | 4,675 | Tractionel | 6,230 |
| 9,030 | 6,500 | UCB | 8,700 |
| 6,200 | 5,705 | Wagons Lits | 5,680 |

## DENMARK

| 1986 High | 1986 Low | September 26 | Price Knr. % |
|---|---|---|---|
| 424 | 298 | Andelsbanken | 328 |
| 670 | 510 | Baltica Skand | 620 |
| 348 | 235 | Cop Handelsb'nk | 258 |
| 470 | 319 | D. Sukkerfab | 365 |
| 381 | 259 | Danske Bank | 280 |
| 1,860 | 1,520 | De Danske Luft | 1,780 |
| 298 | 185 | East Asiatic | 191 |
| 1,240 | 900 | Forenede Brygg | 1,000 |
| 258 | 194 | Forenede Damp | 198 |
| 665 | 340 | GNT Hld | 355 |
| 830 | 505 | I.S.S.B. | 680 |
| 845 | 475 | Jyske Bank | 500 |
| 381 | 224 | Novo Inds* | 234 |
| 339 | 236 | Privatbanken | 250 |
| 470 | 310 | Provinsbanken | 330 |
| 539 | 254 | Smidth (F.L.) B | 301 |
| 1,030 | 750 | Sophus Berend | 790 |
| 331 | 145 | Superfos | 145 |

## FRANCE

| 1986 High | 1986 Low | September 26 | Price Frs. |
|---|---|---|---|
| 1,800 | 1,473 | Emprunt 4½% 1973 | 1,791 |
| 9,550 | 7,190 | Emprunt 7% 1973 | 9,455 |
| 595 | 296 | Accor | 446 |
| 845 | 608 | Air Liquide | 749 |
| 718 | 508 | BIC | 604 |
| 2,210 | 1,610 | Bongrain | 2,140 |
| 1,467 | 909 | Bouygues | 1,389 |
| 4,430 | 2,730 | BSN Gervais | 4,200 |
| 2,500 | 1,368 | CIT Alcatel | 1,980 |
| 3,685 | 2,212 | Carrefour | 3,390 |
| 651 | 458 | Club Mediter'n | 583 |
| 1,385 | 672 | Cie Bancaire | 1,184 |
| 468 | 347.5 | Cofimeg | 408.5 |
| 2,525 | 1,721 | Damart | 2,200 |
| 4,030 | 2,162 | Darty | 3,840 |
| 1,769 | 1,050 | Dumez S.A. | 1,769 |
| 1,686 | 877 | Eaux (Cie Gen) | 1,365 |
| 375 | 196 | Elf-Aquitaine | 339 |
| 3,405 | 2,000 | Essilor | 3,190 |
| 1,068 | 714 | Gen.Occidentale | 1,022 |
| 115.5 | 51.1 | Imetal | 57.9 |
| 1,615 | 745 | Lafarge Coppee | 1,385 |
| 3,860 | 2,805 | L'Oreal | 3,565 |
| 4,672 | 2,640 | Legrand | 4,600 |
| 350 | 189 | Maisons Phenix | 255 |
| 2,775 | 1,480 | Matra S.A. | 2,300 |
| 3,565 | 1,725 | Michelin B | 3,030 |
| 6,690 | 1,538 | Midi (Cie) | 1,602 |
| 9,650 | 1,735 | Moet Hennessy | 2,195 |
| 115 | 54.7 | Moulinex | 73.1 |
| 241 | 158.1 | Nord Est | 169.9 |
| 1,265 | 807 | Pernod Ricard | 990 |
| 632 | 481 | Perrier | 610 |
| 479.8 | 298 | Petroles Fra. | 443 |
| 1,250 | 512 | Peugeot S.A. | 1,142 |
| 738 | 417 | Printemps (Au) | 548 |
| 1,030 | 421 | Radiotech | 903 |
| 2,600 | 1,805 | Redoute | 2,170 |
| 1,799 | 1,200 | Roussel-Uclaf | 1,490 |
| 587 | 390 | Sefimeg | 460 |
| 1,480 | 1,100 | Skis Rossignol | 1,220 |
| 3,855 | 2,640 | Telemec Elect | 2,865 |
| 1,764 | 822 | Thomson (CSF) | 1,600 |
| 643 | 348 | Valeo | 638 |

## SWITZERLAND

| 1986 High | 1986 Low | September 26 | Price Frs. |
|---|---|---|---|
| 7,575 | 4,460 | Adia Intl | 7,400 |
| 756 | 570 | Afusuisse | 612 |
| 4,950 | 3,200 | Bank Leu | 3,700 |
| 2,286 | 1,545 | Brown Boveri | 1,560 |
| 4,550 | 2,775 | Ciba Geigy | 3,500 |
| 3,452 | 2,050 | do. (Part Certs) | 2,595 |
| 3,910 | 3,100 | Credit Suisse | 3,650 |
| 5,890 | 3,925 | Elektrowatt | 5,400 |
| 1,920 | 1,125 | Fischer (Geo.) | 1,890 |
| 141,000 | 94,500 | Hoff-Roche PtCts | 107,850 |
| 14,000 | 9,400 | Hoff-Roche 1/10 | 10,750 |
| 8,350 | 7,100 | Jacobs Suchard | 7,975 |
| 4,050 | 3,100 | Jelmoli | 3,825 |
| 2,355 | 1,760 | Landis & Gyr | 1,810 |
| 9,500 | 7,375 | Nestle | 8,300 |
| 2,040 | 1,430 | Oer- Buehrle | 1,590 |
| 495 | 378 | Pirelli | 458 |
| 13,000 | 9,900 | Sandoz (Br) | 11,000 |
| 2,030 | 1,480 | Sandoz (Pt Cts) | 1,690 |
| 900 | 580 | Schindler (PtCts) | 680 |
| 1,980 | 1,300 | Sika | 1,650 |
| 8,050 | 5,900 | Surveillance A | 7,500 |
| 2,320 | 1,215 | Swissair | 1,340 |
| 625.5 | 490 | Swiss Bank | 515 |
| 19,700 | 13,200 | Swiss Reinsce | 16,800 |
| 2,750 | 2,340 | Swiss Volksbk | 2,570 |
| 6,000 | 4,850 | Union Bank | 5,650 |
| 7,250 | 4,620 | Winterthur | 6,500 |
| 8,775 | 5,750 | Zurich Ins | 7,550 |

## AUSTRALIA

| 1986 High | 1986 Low | September 26 | Price Aust. $ |
|---|---|---|---|
| [illegible] | [illegible] | AOI Intl | [illegible] |
| [illegible] | [illegible] | Adelaide Steamship | [illegible] |
| [illegible] | [illegible] | Amcor | [illegible] |
| [illegible] | [illegible] | ANZ Group | [illegible] |
| [illegible] | [illegible] | Ampol Pet | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| 8.2 | 4.9 | Kidston Gold | 8.0 |
| 9.8 | 5.74 | Lend Lease | 8.50 |
| 3.12 | 1.53 | MIM | 2.3 |
| 3.85 | 2.68 | Mayne Nickless | 3.15 |
| 5.6 | 4.0 | Nat. Aust. Bank | 5.26 |
| 29.0 | 9.02 | News | 29.0 |
| 3.85 | 2.4 | Nicholas Kiwi | 3.85 |
| 1.79 | 0.65 | Noranda Pacific | 1.75 |
| 2.81 | 1.70 | North Bkn Hill | 2.30 |
| 1.28 | 0.65 | Oakbridge | 0.82 |
| 3.64 | 2.27 | Pacific Dunlop | 3.36xc |
| 2.95 | 1.7 | Pancontinental | 2.88 |
| 3.10 | 2.45 | Pioneer Conc | 2.7 |
| 2.86 | 2.00 | Placer Pacific | 2.78 |
| 3.9 | 2.02 | Poseidon | 3.85 |
| 1.80 | 1.34 | Queensland | 1.72 |
| 6.4 | 3.82 | Reckitt & Colman | 6.4 |
| 2.35 | 1.5 | Repco | 2.36 |
| 5.56 | 3.28 | Santos | 3.9 |
| 5.8 | 3.95 | Smith (Howard) | 4.98 |
| 4.15 | 2.18 | TNT | 3.08 |
| 6.7 | 5.2 | Tooth | 5.6 |
| 3.1 | 1.85 | Vamgas | 2.45 |
| 4.4 | 2.82 | Western Mining | 4.4 |
| 6.28 | 4.4 | Westpac Bank | 4.55 |
| 1.3 | 0.75 | Woodside Petrol | 0.96 |
| 3.55 | 2.65 | Woolworths | 3.4 |
| 4.75 | 3.35 | Wormald Intl | 4.3 |

## GERMANY

| 1986 High | 1986 Low | September 26 | Price Dm |
|---|---|---|---|
| 360 | 265 | AEG | 309 |
| 2,875 | 1,190 | Allianz Vers | 2,295 |
| 331.8 | 259 | BASF | 274.1 |
| 350 | 262.5 | Bayer | 294 |
| 688 | 515 | Bayer-Hypo | 574 |
| 675 | 468 | Bayer-Verein | 524 |
| 593 | 468 | BHF-Bank | 499 |
| 646 | 475 | BMW | 612 |
| 348 | 232.5 | Brown Boveri | 308 |
| 377.5 | 268 | Commerzbank | 315.5 |
| 335 | 203 | Cont'l Gummi | 321.5 |
| 1,549.5 | 1,106 | Daimler-Benz | 1,244 |
| 534 | 357 | Degussa | 490 |
| 240 | 168 | D'scne Babcock | 195 |
| 920 | 723.7 | Deutsche Bank | 787 |
| 506 | 355.3 | Dresdner Bank | 408 |
| 343 | 267 | Feld-Muehle | 298.1 |
| 459 | 380 | Henkel | 431.5 |
| 1,300 | 710 | Hochtief | 1,025 |
| 327 | 240 | Hoechst | 260 |
| 201 | 138 | Hoesch Werke | 138 |
| 660 | 470 | Holzmann (P) | 574 |
| 246 | 168 | Horten | 222.5 |
| 660 | 426 | Hussel | 579 |
| 464 | 318 | Karstadt | 435 |
| 525 | 350 | Kaufhof | 497.2 |
| 393 | 197 | KHD | 211 |
| 125 | 69 | Kloeckner | 74 |
| 825 | 579 | Linde | 797 |
| 311.8 | 165 | Lufthansa | 188 |
| 247 | 179 | MAN | 239 |
| 311.8 | 167.8 | Mannesmann | 187.8 |
| 1,874 | 958 | Mercedes Hld | 1,105 |
| 430 | 265 | Metallgesell | 330 |
| 4,350 | 2,190 | Muench Rueck | 2,400 |
| 705 | 548 | Nixdorf | 706 |
| 1,420 | 941 | Porsche | 1,020 |
| 297 | 187 | Preussag | 209 |
| 275 | 186.9 | Rhein West Elect | 202.5 |
| 410 | 328 | Rosenthal | 379 |
| 670 | 514 | Schering | 613 |
| 825.5 | 590.6 | Siemens | 679.5 |
| 198 | 145 | Thyssen | 146 |
| 390 | 239 | Varta | 335 |
| 346 | 238.5 | Veba | 283 |
| 202 | 139.5 | V.E.W | 152.2 |
| 550 | 392 | Velein-West | 476 |
| 684 | 442 | Volkswagen | 475.5 |

## SOUTH AFRICA

| 1986 High | 1986 Low | September 26 | Price Rand |
|---|---|---|---|
| 3.00 | 1.8 | Abercom | 2.8 |
| 14.25 | 8.90 | AECI | 13.25 |
| 90 | 53 | Allied Tech | 85 |
| 60.50 | 28.75 | Anglo Am Coal | 34.25 |
| 74 | 38.5 | Anglo Am. Corp | 57 |
| 380 | 206 | Anglo Am. Gold | 350 |
| 24.75 | 18.25 | Barclays Bank | 23.60 |
| 21.9 | 14.35 | Barlow Rand | 20 |
| 113 | 62 | Buffels | 102 |
| 3 | 1.85 | CNA Gallo | 2.7 |
| 5.35 | 3.8 | Currie Finance | 4.75 |
| 35.50 | 16.7 | De Beers | 33.1 |
| 79.50 | 49.25 | Driefontein | 75.5 |
| 40.25 | 29.25 | F.S.Cons | 35.25 |
| 65 | 32 | Gold Fields S.A. | 58.5 |
| 16.5 | 5 | Highveld Steel | 6.95 |
| 14.75 | 6.2 | Malcor | 13.25 |
| 9.5 | 5.40 | Nedbank | 5.85 |
| 20 | 11.5 | OK Bazaars | 17.00 |
| 82 | 46 | Rembrandt | 74.75 |
| 56.75 | 26 | Rust Plat | 52.75 |
| 17.4 | 15 | Safren | 16 |
| 11.5 | 9.0 | Sage Hldgs | 9.50 |
| 16.25 | 8.2 | SA Brews | 14.25 |
| 30.5 | 24 | Smith (CG) | 29.25 |
| 8.4 | 7.4 | Tongaat Huletts | 7.60 |

## HONG KONG

| 1986 High | 1986 Low | September 26 | Price H.K.$ |
|---|---|---|---|
| 19.3 | 17.4 | Bank East Asia | 19.3 |
| 5.85 | 5.15 | Cathay Pacific | 5.5 |
| 26.9 | 17.9 | Cheung Kong | 26.5 |
| 18 | 14.8 | China Light | 16.0 |
| 0.65 | 0.57 | Evergo | 0.65 |
| 40.4 | 32.25 | Hang Seng Bank | 33.75 |
| 2.9 | 1.65 | Henderson Land | 2.87 |
| 17.4 | 11.8 | HK China Gas | 15.8 |
| 10.6 | 8.3 | HK Electric | 10.4 |
| 9.05 | 5.2 | HK Kowloon Wh | 7.8 |
| 6.95 | 5.5 | HK Land | 6.7 |
| 7.50 | 6.25 | HK Shanghai Bk | 7.1 |
| 13.4 | 9.3 | HK Telephone | 12.4 |
| 35.75 | 24 | Hutchison Wpa | 35.75 |
| 17 | 11 | Jardine Math | 15.9 |
| 7.90 | 5.05 | New World Dev | 7.9 |
| 16.8 | 10.6 | SHK Props | 16.8 |
| 1.15 | 0.62 | Shell Elect | 0.66 |
| 14.6 | 9.9 | Swire Pac A | 14.6 |
| 3.50 | [illegible] | TV-B | 3.5 |
| 8.95 | 5.15 | Winsor Inds | 7.70 |
| 2.95 | 2.07 | World Int. Hldgs | 2.85 |

## ITALY

| 1986 High | 1986 Low | September 26 | Price Lire |
|---|---|---|---|
| 34,995 | 19,960 | Banco Com'le | 23,950 |
| 858 | 575 | Bastogi-IRBS | 697 |
| 4,780 | 3,050 | Centrale | 3,595 |
| 15,400 | 8,150 | C.I.R. | 8,860 |
| 4,590 | 3,200 | Credito Italiano | 3,422 |
| 16,500 | 6,531 | Fiat | 15,480 |
| 172,050 | 75,150 | Generali Assicur | 112,890 |
| 60,250 | 46,200 | Italcementi | 50,800 |
| 1,430 | 930 | La Rinascente | 1,084 |
| 4,533 | 2,705 | Montedison | 3,460 |
| 18,690 | 8,710 | Olivetti | 16,800 |
| 8,970 | 5,065 | Pirelli Co | 7,420 |
| 6,510 | 3,370 | Pirelli Spa | 5,130 |
| 6,886 | 4,680 | Saipem | 4,610 |
| 7,650 | 4,895 | Snia BPD | 5,160 |
| 54,500 | 24,850 | Toro Assic | 33,700 |

## NETHERLAND

| 1986 High | 1986 Low | September 26 | Price Fls |
|---|---|---|---|
| 62.7 | 44.5 | ACF Holding | 60.7xc |
| 132.2 | 96 | AEGON | 96 |
| 97.5 | 69.8 | Ahold | 84.1 |
| 181.9 | 145.5 | AKZO | 148.5xr |
| 638 | 537 | ABN | 548 |
| 93.8 | 73.8 | AMEV | 77 |
| 117 | 94.5 | AMRO | 95.4 |
| 260 | 127 | Bredero Cert | 135.5 |
| 19.9 | 12.1 | Bos Kalis Westm | 13.3 |
| 225 | 135 | Buehrmann-Tet | 205 |
| 33 | 17.4 | Calland Hlge | 19.6 |
| 203.5 | 156.8 | Dordtsche Pet'm | 188.5 |
| 246 | 164 | Elsevier-NDU | 221.5 |
| 98.5 | 61.1 | Fokker | 61.6 |
| 60.8 | 47.6 | Gist Brocades | 47.6 |
| 189.5 | 150.0 | Heineken | 173 |
| 118 | 59.7 | Hoogovens | 59 |
| 75 | 54.8 | Hunter Doug N/V | 55.3 |
| 85.8 | 63.8 | Int Mueller | 75 |
| 55.8 | 44.3 | KLM | 44.6 |
| 171.5 | 116.7 | KNP | 152 |
| 95 | 47.3 | Naarden | 90 |
| 89.5 | 71.5 | Nat Ned Cert | 81.9 |
| 256.5 | 187.5 | Ned Mid Bank | 214.5 |
| 219.9 | 159.0 | Nedlloyd | 174 |
| 553.5 | 410 | Oce Grinten | 533 |
| 39.5 | 30.4 | Ommeren (Van) | 36.1 |
| 92.5 | 50.0 | Pakhoed | 51 |
| 65.7 | 46.1 | Philips | 52.9 |
| 96.3 | 82.9 | Robeco | 92.2 |
| 142.1 | 132.2 | Rodamco | 136 |
| 87.8 | 72.8 | Rolinco | 82.4 |
| 51.1 | 45.6 | Rorento | 50.1 |
| 216 | 164.8 | Royal Dutch | 202.2 |
| 519.5 | 347.7 | Unilever | 481 |
| 32.5 | 26.7 | VMF Stork | 28.8 |
| 356.5 | 270.5 | VNU | 322 |
| 84.8 | 59.7 | Wessanen | 78.5 |
| 108.5 | 46.7 | West Utr Bank | 50 |

## NORWAY

| 1986 High | 1986 Low | September 26 | Price Kroner |
|---|---|---|---|
| 172.5 | 142 | Bergens Bank | 170 |
| 477.5 | 324 | Borregaard | 365 |
| 201 | 161.5 | Christiania Bank | 192 |
| 185 | 146 | Den Norske Cred | 176 |
| 121 | 67 | Elkem | 77 |
| 197.5 | 135 | Kosmos | 148 |
| 195 | 120 | Kvaerner | 165 |
| 156.2 | 86 | Norcem | 109 |
| 245 | 176 | Norsk Data | 214.5 |
| 169.5 | 122 | Norsk Hydro | 151 |
| 292.5 | 256 | Storebrand | 265 |

## SWEDEN

| 1986 High | 1986 Low | September 26 | Price Kroner |
|---|---|---|---|
| 230 | 175 | AGA | 186 |
| 378 | 245 | Alfa-Laval B | 315 |
| 385 | 205 | ASEA (Free) | 345 |
| 530 | 370 | Astra (Free) | 500xa |
| 252 | 166 | Atlas Copco | 220 |
| — | — | Beijer AB | — |
| 310 | 263 | Cardo (Free) | 305 |
| 298 | 159 | Cellulosa | 259 |
| 328 | 194 | Electrolux B | 297 |
| 299 | 210 | Ericsson B | 251 |
| 150 | 113 | Esselte | 130xa |
| 320 | 178 | Mo och Domsjo | 290 |
| 252 | 167 | Pharmacia | 190 |
| 890 | 465 | Saab Scania Free | 715 |
| 936 | 455 | Sandvik | 655 |
| 605 | 230 | Skandia | 600 |
| 389 | 256 | SKF | 340 |
| 343 | 157 | Stora Kopparbrg | 312 |
| 426 | 220 | Swedish Match | 420 |
| 433 | 300 | Volvo B (Free) | 369 |

## SINGAPORE

| 1986 High | 1986 Low | September 26 | Price $ |
|---|---|---|---|
| 1.87 | 0.66 | Boustead Hldgs | 1.16 |
| 3.94 | 2.17 | Cold Storage | 3.85 |
| 8.00 | 4.4 | DBS | 7.95 |
| 5.05 | 3.5 | Genting | 3.9 |
| 3.32 | 1.64 | Haw Par Bros | 3.02 |
| 2.82 | 1.74 | Hong Leong Fin | 2.58 |
| 2.88 | 1.78 | Inchcape Bhd | 2.28 |
| 2.35 | 0.4 | Keppel Corp | 2.34 |
| 4.68 | 3.04 | Malay Banking | 3.84 |
| 1.69 | 0.98 | Malay Utd Ind | 1.39 |
| 0.6 | 0.30 | Multi Purpose | 0.42 |
| 8.2 | 5.85 | OCBC | 7.95 |
| 3.14 | 2.12 | OUB | 3.02 |
| 1.76 | 0.80 | Public Bank | 1.06 |
| 1.64 | 0.82 | Sime Darby | 1.38 |
| 7.85 | 5.65 | Singapore Air | 7.65 |
| 8.4 | 5.5 | Singapore Press | 8.1 |
| 3.60 | 1.86 | Straits Trdg | 3.3 |
| 2.89 | 1.91 | Tat Lee Bk | 2.78 |
| 4.30 | 2.22 | UOB | 3.96 |

## JAPAN

| 1986 High | 1986 Low | September 26 | Price Yen |
|---|---|---|---|
| 1,970 | 1,130 | Ajinomoto | 1,770 |
| 1,140 | 745 | All Nippon Air | 935 |
| 2,140 | 1,640 | Alps Electric | 1,880 |
| 919 | 726 | Asahi Chem | 895 |
| 1,350 | 890 | Asahi Glass | 1,260 |
| 991 | 691 | Bank Tokyo | 875 |
| 765 | 605 | Bridgestone | 701 |
| 850 | 527 | Brother Inds | 530 |
| 1,800 | 881 | Canon | 935 |
| 1,840 | 1,180 | Casio Comp | 1,310 |
| 1,440 | 921 | Chugai Pharm | 1,110 |
| 1,760 | 716 | Daiei | 1,350 |
| 1,740 | 1,460 | Dai-Ichi Kan. Bk | 1,710 |
| 588 | 300 | Dai Nippon Ink | 479 |
| 2,000 | 1,180 | Dai Nippon Ptg | 1,850 |
| 1,720 | 841 | Daiwa House | 1,680 |
| 2,400 | 734 | Daiwa Sec | 2,380 |
| 2,000 | 1,320 | Eisai | 1,580 |
| 6,950 | 5,380 | Fanuc | 5,380 |
| 1,770 | 1,460 | Fuji Bank | 1,710 |
| 2,930 | 1,660 | Fuji Film | 2,930 |
| 2,070 | 868 | Fujisawa | 1,300 |
| 1,150 | 895 | Fujitsu | 919 |
| 610 | 334 | Furukawa Elect | 601 |
| 2,470 | 1,200 | Green Cross | 2,350 |
| 1,320 | 794 | Heiwa Real Est | 1,120 |
| 1,060 | 760 | Hitachi | 1,080 |
| 2,350 | 1,150 | Hitachi Credit | 2,000 |
| 1,560 | 989 | Honda | 1,300 |
| 2,680 | 1,000 | Indl. Bk. Japan | 2,180 |
| 564 | 150 | Ishikawajima Hr | 564 |
| 410 | 333 | Isuzu Motor | 380 |
| 942 | 413 | Itoh (C) | 934 |
| 4,660 | 2,950 | Ito. Yokado | 3,780 |
| 13,700 | 8,600 | JAL | 9,220 |
| 1,680 | 963 | Jusco | 1,500 |
| 1,460 | 465 | Kajima | 1,450 |
| 1,460 | 966 | Kao Corp | 1,450 |
| 279 | 134 | Kawasaki Steel | 270 |
| 1,750 | 757 | Kirin | 1,400 |
| 257 | 178 | Kobe Steel | 184 |
| 861 | 480 | Komatsu | 510 |
| 800 | 590 | Konishiroku | 610 |
| 480 | 339 | Kubota | 413 |
| 1,260 | 750 | Kumagai | 1,250 |
| 4,960 | 3,310 | Kyocera | 3,860 |
| 590 | 311 | Marubeni | 550 |
| 2,960 | 1,540 | Marui | 2,630 |
| 845 | 570 | Mazda Motor | 380 |
| 914 | 535 | Meiji Seika | 809 |
| 1,710 | 1,160 | MEI | 1,790 |
| 1,760 | 1,430 | M'bishi Bank | 1,650 |
| 909 | 506 | M'bishi Chem | 700 |
| 1,460 | 589 | M'bishi Corp | 1,460 |
| 530 | 328 | M'bishi Elect | 530 |
| 2,750 | 1,070 | M'bishi Estate | 2,750 |
| 560 | 353 | MHI | 560 |
| 1,260 | 951 | Mitsui Bank | 1,080 |
| 809 | 406 | Mitsui | 718 |
| 2,150 | 989 | Mitsui Estate | 2,150 |
| 481 | 309 | Mitsui Toatsu | 340 |
| 1,400 | 590 | Mitsukoshi | 1,120 |
| 1,120 | 799 | NGK Insulators | 895 |
| 2,180 | 675 | Nikko Sec | 2,000 |
| 1,630 | 1,200 | Nippon Denso | 1,630 |
| 2,310 | 1,160 | Nippon Elect | 2,310 |
| 1,420 | 860 | Nippon Express | 1,350 |
| 2,220 | 1,350 | Nippon Gakki | 1,620 |
| 1,200 | 830 | Nippon Kogaku | 880 |
| 328 | 126 | Nippon Kokan | 322 |
| 1,440 | 791 | Nippon Oil | 1,030 |
| 614 | 447 | Nippon Seiko | 468 |
| 1,560 | 758 | Nippon Shimpan | 1,120 |
| 271 | 154 | Nippon Steel | 221 |
| 593 | 338 | Nippon Suisan | 448 |
| 606 | 293 | Nippon Yusen | 525 |
| 680 | 525 | Nissan Motor | 575 |
| 874 | 634 | Nisshin Flour | 767 |
| 3,560 | 1,010 | Nomura | 3,550 |
| 1,330 | 979 | Olympus | 980 |
| 629 | 311 | Onoda Cement | 680 |
| 1,410 | 910 | Orient Finance | 1,100 |
| 4,750 | 2,560 | Orient Leasing | 3,920 |
| 2,450 | 1,650 | Pioneer | 1,970 |
| 1,150 | 766 | Ricoh | 785 |
| 1,700 | 1,070 | Sankyo | 1,350 |
| 1,500 | 1,220 | Sanwa Bank | 1,350 |
| 480 | 384 | Sanyo Elect | 409 |
| 1,440 | 633 | Sapporo | 1,140 |
| 1,620 | 800 | Sekisui House | 1,590 |
| 10,350 | 6,050 | Seven-Eleven | 7,910 |
| 1,070 | 811 | Sharp | 938 |
| 850 | 380 | Shimizu Constn | 820 |
| 1,650 | 760 | Shionogi | 1,380 |
| 2,770 | 1,310 | Shiseido | 1,830 |
| 486 | 207 | Showa Denko | 335 |
| 4,160 | 2,810 | Sony | 3,150 |
| 2,420 | 1,570 | S'tomo Bank | 2,220 |
| 452 | 236 | S'tomo Chem | 385 |
| 1,280 | 725 | S'tomo Corp | 1,040 |
| 1,800 | 840 | S'tomo Elect | 1,800 |
| 205 | 137 | S'tomo Metal | 159 |
| 968 | 308 | Taisei Corp | 958 |
| 1,210 | 496 | Taisho Marine | 1,030 |
| 770 | 575 | Taiyo Kobe Bank | 700 |
| 2,280 | 967 | Takeda | 2,200 |
| 4,480 | 3,060 | TDK | 3,260 |
| 609 | 457 | Teijin | 594 |
| 2,080 | 1,110 | Toa Nenryo | 1,500 |
| 1,100 | 760 | Tokai Bank | 1,030 |
| 1,880 | 833 | Tokio Marine | 1,620 |
| 7,900 | 2,690 | Tokyo Elect Pwr | 7,900 |
| 1,170 | 277 | Tokyo Gas | 1,130 |
| 1,500 | 585 | Tokyo Corp | 1,400 |
| 1,770 | 974 | Toppan Print | 1,530 |
| 758 | 485 | Toray | 615 |
| 807 | 357 | Toshiba Elect | 807 |
| 2,740 | 1,490 | Toyo Seikan | 1,950 |
| 2,090 | 1,150 | Toyota Motor | 2,090 |
| 340 | 200 | UBE Inds | 331 |
| 5,260 | 1,490 | Victor | 2,720 |
| 778 | 635 | Yamaha | 644 |
| 2,060 | 680 | Yamaichi Sec | 1,980 |
| 3,480 | 2,890 | Y'manouchi Phm | 3,020 |
| 1,650 | 777 | Yamazaki | 1,230 |
| 1,130 | 496 | Yasuda Fire | 1,010 |

## SPAIN

| 1986 High | 1986 Low | September 26 | Price Pts % |
|---|---|---|---|
| 1,335 | 415 | Bco Bilbao | 1,200 |
| 867 | 347 | Bco Central | 817 |
| 470 | 207 | Bco Exterior | 400 |
| 505 | 207 | Bco Hispano | 470 |
| 1,460 | 439 | Bco Popular | 1,250 |
| 861 | 420 | Bco Santander | 835 |
| 1,710 | 595 | Bco Vizcaya | 1,600 |
| 428.5 | 165 | Dragados | 354 |
| 142 | 82.5 | Hidrola | 116.7 |
| 201 | 101.5 | Iberduero | 168.2 |
| 458 | 172 | Petroleos | 358 |
| 228.5 | 128.5 | Telefonica | 180.5 |

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

# CANADA

## TORONTO
*Closing prices September 26*

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| 5180 | AMCA Int | $14¼ | 14 | 14 | −¼ |
| 24500 | Abitibi Pr | $24½ | 24 | 24 | −½ |
| 100 | Acklands | $18½ | 18½ | 18½ | −¼ |
| 10135 | Agnico E | $32⅞ | 31 | 31¼ | −1⅞ |
| 3810 | Albrta En | $11⅞ | 11¾ | 11⅞ | +⅛ |
| 5550 | Albrta N | $13⅝ | 13½ | 13½ | |
| 61500 | Alcan | $43⅞ | 43¾ | 43¾ | −⅛ |
| 1287 | Algoma St | $13½ | 13⅜ | 13½ | +⅛ |
| 2700 | Asamera | $9¾ | 9⅝ | 9⅝ | −⅛ |
| 5058 | Atco I f | $8⅞ | 8⅝ | 8⅝ | −¼ |
| 831 | BC Sugar A | $21 | 20¾ | 21 | −¼ |
| 372 | BP Canada | $33 | 33 | 33 | −½ |
| 600 | Banister C | $8⅝ | 8⅝ | 8⅝ | −⅛ |
| 11605 | Bk BCol | 270 | 265 | 265 | |
| 114887 | Bk Mont | $32¼ | 31⅞ | 32 | −⅛ |
| 39924 | Bk NScot | $15⅜ | 15⅛ | 15¼ | |
| 82551 | Bell Can | $37⅝ | 37¼ | 37½ | +⅛ |
| 253482 | Bluesky | 300 | 280 | 290 | −5 |
| 9725 | Bonanza R | 158 | 153 | 158 | +5 |
| 51544 | Bow Valy | $11⅛ | 10⅞ | 10⅞ | −¼ |
| 1736 | Bralorne | 147 | 142 | 142 | −1 |
| 1500 | Bramalea | $21¼ | 20¾ | 21¼ | +¼ |
| 58311 | Brascan A | $28½ | 28 | 28 | −⅛ |
| 114593 | Brkwater | $5¼ | 495 | 5¼ | +¼ |
| 7451 | BC ForP | $13 | 12⅞ | 12⅞ | −¼ |
| 15505 | BC Res | 125 | 125 | 125 | |
| 22098 | BC Phone | $27⅛ | 26⅞ | 27 | −⅛ |
| 200 | Brunswk | $13¾ | 13¾ | 13¾ | |
| 34700 | CAE | $10½ | 10¼ | 10¼ | −¼ |
| 61345 | CCL B f | $15⅞ | 15¾ | 15⅞ | −⅛ |
| 200 | CIL | $25¾ | 25¾ | 25¾ | +⅛ |
| 41300 | Cad Frv | $30¾ | 30⅜ | 30¾ | +¼ |
| 100 | Cambridg | $23¾ | 23¾ | 23¾ | −¼ |
| 27880 | Camp RLk | $28¼ | 27½ | 28¼ | +⅞ |
| 6354 | Camp Res | 160 | 150 | 160 | +5 |
| 1341 | Camp Soup | $30¼ | 30½ | 30½ | |
| 5135 | Campeau f | $27½ | 27¼ | 27¼ | −¼ |
| 1974 | CCem ex p | $13⅛ | 13⅛ | 13⅛ | −⅛ |
| 13020 | CDC f | $6⅛ | 5⅞ | 5⅞ | |
| 500 | Can Malt | $17 | 17 | 17 | |
| 26050 | C Nor West | $15⅛ | 15⅛ | 15⅛ | −¼ |
| 1576 | C Packrs | $15 | 14⅞ | 15 | +¼ |
| 950 | Can Trust | $48 | 47½ | 47½ | −½ |
| 50 | Cdn GE | $91 | 91 | 91 | |
| 223988 | Cl Bk Com | $18¼ | 18 | 18 | |
| 88000 | C Marconi | $25½ | 25¼ | 25¼ | −½ |
| 21133 | C Ocdental | $21⅛ | 20⅞ | 20⅞ | −⅝ |
| 128883 | CP Ltd | $15⅝ | 15⅜ | 15⅜ | −⅛ |
| 369946 | CTire A f | $13⅞ | 13½ | 13¾ | |
| 14589 | CUtil A f | $19 | 18⅞ | 19 | |
| 92 | CUtil B | $19¼ | 19¼ | 19¼ | |
| 2300 | Canfor | $13¾ | 13¾ | 13¾ | +⅛ |
| 1225 | Canron A | $17 | 17 | 17 | |
| 2150 | Cara | $8¾ | 8½ | 8¾ | |
| 850 | Cara A f | $8⅞ | 8⅞ | 8⅞ | +⅛ |
| 21125 | Carl OK | $12½ | 12½ | 12½ | |
| 73780 | Cantu A | 15 | 15 | 15 | |
| 820 | Celanese | $13⅞ | 13½ | 13½ | −⅛ |
| 7830 | CentFd A | $7 | 6¾ | 7 | +⅛ |
| 950 | Centrl Tr | $20¾ | 20½ | 20⅝ | +⅛ |
| 500 | Chieftan | $9⅞ | 9⅞ | 9⅞ | −⅛ |
| 22309 | Cominco | $13¾ | 13½ | 13⅝ | - |
| 44050 | Comput In | 280 | 268 | 277 | +2 |
| 700 | Comterm | 115 | 115 | 115 | +5 |
| 200 | Con Bath A | $24½ | 24½ | 24½ | −¼ |
| 21600 | CDistb B f | $6⅝ | 6⅜ | 6⅝ | |
| 800 | Cons Gas | $27⅞ | 27⅛ | 27⅛ | −⅛ |
| 300 | Con Glass | $23⅞ | 23⅞ | 23⅞ | |
| 30200 | CTL Bank | $11⅛ | 10⅝ | 11⅛ | +⅜ |
| 500 | Conwst B | $8¾ | 8¼ | 8¾ | |
| 15 | C Falcon C | $16⅛ | 16⅛ | 16⅛ | |
| 1092 | Coseka R | 81 | 81 | 81 | −4 |
| 700 | Costain Ltd | $12 | 11¾ | 11¾ | −½ |
| 8050 | Crownx | $25 | 24½ | 25 | |
| 25523 | Crownx A f | $11 | 10⅞ | 10⅞ | −⅛ |
| 6500 | Czar Res | 145 | 136 | 145 | +5 |
| 4864 | Denison A p | $6 | 5⅞ | 5⅞ | −⅛ |
| 3484 | Denison B f | $6 | 5⅞ | 5⅞ | |
| 9200 | Develcon | 450 | 430 | 430 | |
| 11642 | Dicknsn A f | $10¼ | 10 | 10 | −⅛ |
| 3042 | Dicknsn B | $10½ | 10¼ | 10½ | +⅛ |
| 32030 | Dofasco | $23½ | 23⅛ | 23¼ | |
| 158585 | Dome Mine | $9¼ | 8½ | 8¾ | −⅝ |
| 87044 | Dome Pete | 107 | 104 | 104 | −2 |
| 13538 | D Textle | $18¼ | 18 | 18¼ | +¼ |
| 19260 | Domtar | $32⅝ | 32¼ | 32¼ | −⅜ |
| 600 | Du Pont A | $33¾ | 33¾ | 33¾ | |
| 63184 | Dylex A | $15¼ | 14½ | 14½ | −½ |
| 800 | E-L Fin | $59¼ | 59 | 59 | |
| 70950 | Echo Bay | $29⅞ | 29 | 29⅛ | −⅝ |
| 700 | Emco | $15 | 15 | 15 | +⅛ |
| 27000 | Equity Svr | $6⅞ | 6½ | 6½ | −½ |
| 6300 | FCA Intl | $18⅝ | 18⅜ | 18⅜ | −⅜ |
| 146892 | Fcnbrdg | $18⅞ | 18⅜ | 18¾ | |
| 16780 | Fed Ind A | $17¾ | 17½ | 17⅝ | −⅛ |
| 436800 | Fed Pion | $30⅛ | 30 | 30 | |
| 600 | Finning A | $13½ | 13⅛ | 13½ | +⅛ |
| 100 | Finning B f | $13 | 13 | 13 | −1¾ |
| 70000 | FCity Fin | $13 | 13 | 13 | |
| 150 | Ford Cnda | $140 | 140 | 140 | |
| 8050 | Gandalf | $7½ | 7¼ | 7¼ | −⅛ |
| 1500 | Geac Comp | $5½ | 5⅜ | 5½ | |
| 10500 | Gendis A | $18 | 18 | 18 | |
| 1510 | Giant Yk | $19 | 19 | 19 | −1¼ |
| 60700 | Gibrltar | $9⅛ | 9 | 9 | −⅝ |
| 15200 | Goldcorp f | $8½ | 8⅜ | 8½ | |
| 500 | Grafton A f | $17½ | 17½ | 17½ | |
| 746 | Greyhnd | $25½ | 25½ | 25½ | |
| 7200 | GuarPA f | $12⅝ | 12¼ | 12½ | +¼ |
| 22110 | Gulf Can | $13⅞ | 13¾ | 13¾ | |
| 10800 | Hawker | $27⅛ | 26¾ | 26¾ | −⅝ |
| 14212 | Hayes D | $13 | 13 | 13 | −¼ |
| 6200 | Hees Intl | $31¾ | 31⅜ | 31¾ | +⅛ |
| 108 | H Baytkn s | $6⅝ | 6⅝ | 6⅝ | |
| 1237 | H Bay Co | $26⅜ | 26 | 26⅜ | +⅛ |
| 55610 | Husky Oil | $9 | 8⅝ | 8⅞ | +¼ |
| 48025 | Imasco | $31 | 30½ | 30½ | −⅜ |
| 39386 | Imp Oil A | $46¾ | 46¼ | 46¼ | −⅜ |
| 28178 | Inco | $18⅛ | 18½ | 18½ | |
| 1500 | Indal | $13⅞ | 13½ | 13¾ | −¼ |
| 2100 | Inland Gas | $13½ | 13⅛ | 13¼ | |
| 2400 | Innopac | $15⅛ | 15 | 15 | −⅛ |
| 7805 | Inter City | $14⅛ | 14 | 14¼ | −⅛ |
| 108700 | Intl Thom | $11½ | 11¼ | 11⅜ | +⅛ |
| 4296 | Intpr Pipe | $41⅛ | 41 | 41⅛ | |
| 163 | Ipsco | $8⅛ | 8⅛ | 8⅛ | −¼ |
| 26480 | Ivaco A f | $20½ | 20⅜ | 20⅜ | −⅛ |
| 4200 | Jannock | $26⅛ | 25¾ | 26 | −¼ |
| 1251 | Kerr Add | $16½ | 16½ | 16½ | |
| 1500 | Kiena Gld | $27 | 27 | 27 | |
| 59452 | Labatt | $23 | 22⅞ | 23 | |
| 34632 | LL Lac | $26¼ | 25½ | 26¼ | −½ |
| 1200 | Lacana | $10⅝ | 10½ | 10½ | −¼ |
| 12350 | Laidlaw A | $15¼ | 15¼ | 15¼ | |
| 32189 | Laidlw B f | $14⅛ | 14⅛ | 14⅛ | |
| 8950 | Leigh Inst | $5¼ | 5⅛ | 5¼ | |
| 2600 | Loblaw Co | $11½ | 11½ | 11½ | |
| 1750 | Lumonics | $11½ | 11⅛ | 11⅛ | +⅛ |
| 48100 | MICC | $8½ | 8⅜ | 8⅜ | |
| 500 | MSR Ex | 225 | 225 | 225 | −10 |
| 28000 | Mclan H X | $18¼ | 18½ | 18½ | |
| 200 | Mcln HY f | $17½ | 17½ | 17½ | −¼ |
| 3446 | Macmilan | $36⅝ | 36¼ | 36¼ | −¼ |
| 48400 | Magna A f | $29⅞ | 29¼ | 29⅝ | |
| 2509 | Maritime f | $15⅝ | 15½ | 15⅝ | −⅛ |
| 100 | Mc Intyre | $38 | 38 | 38 | +½ |
| 90915 | Minnl Res | 350 | 330 | 350 | +15 |
| 22800 | Mitel Corp | $6⅝ | 6½ | 6⅝ | |
| 27420 | Molson A f | $24⅞ | 24½ | 24¾ | −¼ |
| 57400 | Molson B | $25½ | 25⅛ | 25½ | −⅛ |
| 713 | M Trusco | $12¼ | 12⅛ | 12⅛ | −⅛ |
| 80300 | Moore | $29½ | 29 | 29½ | +⅛ |
| 3178 | Murphy | $20½ | 20 | 20½ | +1 |
| 53759 | Nat Bk Can | $27¼ | 26⅞ | 27¼ | +¼ |
| 2400 | Nt Vg Trco | $23 | 23 | 23 | −¼ |
| 2800 | Nt CapA f | $8½ | 8¼ | 8¼ | +¼ |
| 2646 | Nfld LP A | $18⅞ | 18¾ | 18¾ | |
| 109858 | Noranda | $20⅜ | 20 | 20¼ | −⅛ |
| 903 | Norcen | $14⅛ | 14⅛ | 14⅛ | |
| 903 | Norcn ord f | $13¼ | 13¼ | 13¼ | |
| 2110 | NC Oils | $11 | 10⅞ | 10⅞ | −⅛ |
| 28430 | Nor Tel | $38½ | 38⅛ | 38¼ | |
| 13800 | Northgat | $6⅛ | 5⅞ | 5⅞ | −⅛ |
| 115787 | Nva AltA f | $5¼ | 5 | 5⅛ | |
| 4950 | Nowsco W | $11¾ | 11½ | 11½ | −½ |
| 11930 | Nu West | 35 | 33 | 33 | −2 |
| 36300 | Numac | $9⅛ | 9 | 9 | −⅜ |
| 3962 | Oakwd A f | 125 | 120 | 120 | −5 |
| 7100 | Ocelot B f | 315 | 315 | 315 | |
| 500 | Omega Hyd | 450 | 450 | 450 | −10 |
| 11180 | Oshawa A f | $19 | 18¾ | 19 | +¼ |
| 4526 | PacW Airl | $18 | 17¾ | 17¾ | −¼ |
| 22500 | Pgurin A f | $13⅜ | 13⅛ | 13⅛ | −⅛ |
| 8500 | Pamour | $13⅜ | 13⅛ | 13⅜ | +⅜ |
| 37600 | Pegasus | $11¼ | 10⅞ | 10⅞ | −1 |
| 100 | PJewl A f | $11½ | 11½ | 11½ | |
| 600 | Pine Point | $9½ | 9½ | 9½ | −¼ |
| 236082 | Placer D | $31⅞ | 31⅜ | 31½ | −½ |
| 2850 | Poco Pet | $9¼ | 9⅛ | 9¼ | +⅛ |
| 71450 | Powr Cor f | $16 | 15¾ | 15⅞ | +⅛ |
| 1500 | Precamb | 355 | 345 | 355 | +10 |
| 40200 | Provigo | $17¼ | 17⅛ | 17¼ | +¼ |
| 3000 | Que Sturg | $5½ | 5⅜ | 5⅜ | −⅛ |
| 47500 | Ranger | $5⅝ | 5¼ | 5½ | +⅛ |
| 1800 | Rayrock f | $6⅞ | 6⅞ | 6⅞ | −¼ |
| 2490 | Redpath | $24¼ | 24¼ | 24¼ | |
| 5700 | Regionl R | 275 | 275 | 275 | −4 |
| 14700 | Reitman A f | $27½ | 27⅜ | 27½ | +¼ |
| 2800 | Rio Algom | $21⅜ | 21¼ | 21¼ | +¼ |
| 1100 | Rogers A | $21⅝ | 21⅛ | 21⅛ | +⅝ |
| 55093 | Rogers B f | $21⅜ | 21 | 21⅛ | −⅛ |
| 1100 | Roman | $10 | 9¾ | 10 | −⅛ |
| 1100 | Rothman | $41 | 40½ | 41 | +¾ |
| 125677 | Royal Bnk | $32⅛ | 31⅞ | 32 | |
| 5550 | RyTrco A | $30¼ | 29¾ | 30 | |
| 43854 | Royex | 360 | 350 | 355 | |
| 5900 | SHL Syst | $22⅝ | 22 | 22½ | +⅜ |
| 2050 | StL CemA f | $18 | 17¾ | 18 | |
| 350 | Sceptre | 265 | 265 | 265 | |
| 1000 | Scot Paper | $16½ | 16¼ | 16½ | |
| 23300 | Scotts f | $11¾ | 11⅜ | 11⅜ | +⅜ |
| 10000 | Scotts C | $11⅜ | 11⅜ | 11⅜ | −⅛ |
| 47068 | Seagram | $83⅜ | 82 | 83 | +⅜ |
| 35800 | Sears Can | $11⅞ | 11½ | 11⅝ | −⅛ |
| 9250 | Shell Can | $22¼ | 22½ | 22½ | |
| 239260 | Sherritt | $6⅝ | 6⅜ | 6⅜ | |
| 71 | Sigma | $13 | 13 | 13 | |
| 7000 | Southm | $21¾ | 21⅜ | 21¾ | |
| 1552 | Spar Aero f | $25 | 24¾ | 24¾ | +⅛ |
| 550 | Steinbg A f | $38¼ | 38 | 38¼ | +¼ |
| 247598 | Stelco A | $21⅝ | 21⅜ | 21⅜ | −⅛ |
| 35091 | Teck B f | $25½ | 25¼ | 25⅜ | +⅛ |
| 2332 | Terra Mn | 236 | 230 | 235 | +5 |
| 5639 | Texaco Can | $29 | 28¼ | 28½ | −½ |
| 38101 | Thom N A | $27⅞ | 27¼ | 27⅞ | +⅜ |
| 23366 | Tor Dm Bk | $23 | 22⅝ | 22⅞ | |
| 6243 | Tor Sun | $31¼ | 30½ | 31 | −½ |
| 112162 | Torstar B f | $28¾ | 28¼ | 28½ | −½ |
| 1100 | Total Pet | $23 | 22¾ | 23 | −¼ |
| 5200 | TrCan R A | 105 | 105 | 105 | +5 |
| 1535 | Trns Mt | $14⅝ | 14½ | 14½ | −¼ |
| 221724 | TrnAlta UA | $29 | 28¾ | 28⅞ | |
| 37832 | TrCan PL | $17 | 16⅞ | 16⅞ | |
| 7575 | Trilon A | $29¾ | 29½ | 29½ | −¼ |
| 3458 | Trimac | 245 | 240 | 240 | −5 |
| 1000 | Trinity Res | 55 | 55 | 55 | +2 |
| 250 | Trizec A f | $28½ | 28½ | 28½ | +½ |
| 200 | Trizec B | $28½ | 28½ | 28½ | +½ |
| 1500 | Ulster P | 145 | 142 | 142 | |
| 40 | Un Carbid | $14½ | 14½ | 14½ | |
| 3390 | U Entprise | $11⅛ | 11 | 11⅛ | |
| 4539 | Un Corp | $45 | 44 | 45 | +1 |
| 15400 | Verstl A f | 130 | 115 | 130 | +15 |
| 13834 | Verstl B | 120 | 110 | 120 | +5 |
| 1300 | Vestgron | 75 | 75 | 75 | |
| 2350 | Vulcan Ind | 485 | 460 | 485 | +5 |
| 202879 | Walker R | $37⅞ | 37¾ | 37¾ | |

F - No voting rights or restricted voting rights.

## MONTREAL
*Closing prices September 26*

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| 25814 | Bank Mont | $32⅛ | 31⅞ | 32 | |
| 3578 | BombrdrA | $26⅞ | 26 | 26 | −⅜ |
| 6425 | BombrdrB | $26⅜ | 26 | 26⅜ | +¼ |
| 250 | CB Pak | $19⅞ | 19⅞ | 19⅞ | −⅛ |
| 180059 | Cascades | $14⅛ | 13½ | 14 | −⅜ |
| 11432 | DomTxtA | $18¼ | 17⅞ | 18¼ | +⅝ |
| 5200 | MntTrst | $12¼ | 12 | 12 | −¼ |
| 36307 | NatBk Cda | $27¼ | 26¾ | 27¼ | +⅜ |
| 17407 | Noverco | $12¾ | 12⅝ | 12¾ | +¼ |
| 162035 | Power Corp | $16 | 15¾ | 15¾ | −⅛ |
| 6600 | Provigo | $17¼ | 17 | 17⅛ | −⅛ |
| 9700 | RollandA | $15½ | 15¼ | 15½ | +¼ |
| 500 | RollandB | $15¾ | 15¾ | 15¾ | |
| 30163 | Royal Bank | $32 | 31⅝ | 32 | |
| 200 | RoyTrstco | $30 | 30 | 30 | +⅛ |
| 2000 | SteinbrgA | $38½ | 38 | 38¼ | +¼ |

Sales 3,831,301 shares

# OVER-THE-COUNTER *Nasdaq national market, closing prices, September 26*

Continued from Page 33

| Stock | Sales (Hnds) | High | Low | Last | Chng |
|---|---|---|---|---|---|
| PatntM | 283 | 4⅛ | d 3¾ | 4⅛ | |
| PaulHr 16 | 63 | 16 | 15¾ | 16 | +¼ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Roussea .80 77 | 299 | 29½ | 28¾ | 29¼ | −¼ |
| RoyPlm t 5 | 544 | 5¾ | 5¼ | 5¾ | +¼ |
| RoylRs 41 | 172 | 2⅞ | 2¾ | 2⅞ | |
| RustPel | 87 | 6⅛ | d 5⅞ | 6 | −⅛ |
| RyanFs 43 | 951 | 22 | 21¼ | 21¼ | −½ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Standy 1.08 13 | 14 | 40¾ | 40¾ | 40¾ | |
| StdMic | 470 | 10⅞ | 10⅝ | 10⅝ | |
| StdReg .72 14 | 333 | 33¾ | 33 | 33¾ | +⅜ |
| Stanhs 10 | 87 | 21 | 20½ | 20¾ | −¼ |
| StaStBs .36 13 | 300 | 23⅛ | 22⅝ | 22⅝ | −½ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| US Bcs .80 9 | 359 | 22⅝ | 21¾ | 22⅛ | +⅛ |
| US Cap | 10 | 1⅝ | 1⅝ | 1⅝ | |
| USDsgn | 89 | 1½ | 1⅜ | 1½ | +⅛ |
| US HltC .12 24 | 357 | 14⅛ | 13⅞ | 14 | |
| USShelt .12 | 24 | 2⅞ | 2¾ | 2⅞ | +⅛ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

# Indices

## NEW YORK

| DOW JONES | Sept. 26 | Sept. 25 | Sept. 24 | Sept. 23 | Sept. 22 | 1986 High | 1986 Low | Since Cmp High | Since Cmp Low |
|---|---|---|---|---|---|---|---|---|---|
| Industrials | 1769.69 | 1768.56 | 1803.39 | 1797.81 | 1793.45 | 1919.71 (4/9) | 1502.29 (22/1) | 1917.71 (4/9/86) | 41.22 (2/7/32) |
| H'me Bnds | 91.00 | 90.96 | 90.62 | 90.59 | 90.71 | 91.94 (21/4) | 85.75 (14/1) | — | — |
| Transport | 784.25 | 784.50 | 792.13 | 794.38 | 794.68 | [illegible] | [illegible] | [illegible] | [illegible] |
| Utilities | 201.75 | 201.75 | 204.16 | 203.23 | 202.64 | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| | Sept. 26 | Sept. 25 | Sept. 24 | Sept. 23 | 1986 High | 1986 Low |
|---|---|---|---|---|---|---|
| AUSTRALIA All Ord. (1/1/80) | 1256.0 | 1259.5 | [illegible] | 1254.1 | 1259.8 (26/8) | 1010.8 (2/1) |
| Metals & Mins. (1/1/80) | 644.6 | 645.1 | 654.4 | 649.0 | 645.1 (25/8) | 481.1 (30/5) |
| AUSTRIA Creditbk Aktien (30/12/64) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BELGIUM Brussel SE (1/1/64) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| DENMARK Copenhagen SE (3/1/83) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FRANCE CAC General (31/12/85) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ind Tendance (31/12/85) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| GERMANY FAZ Aktien (31/12/58) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Commerzbank (1/12/53) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| HONG KONG Hang Seng Bank (31/7/64) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ITALY Banca Comm Ital. (1972) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| JAPAN** Nikkei (16/5/49) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Tokyo SE New (4/1/68) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| NETHERLANDS ANP-CBS General (1970) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ANP-CBS Indust (1970) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| NORWAY Oslo SE (4/1/83) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| SINGAPORE Straits Times (30/12/66) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| SOUTH AFRICA JSE Gold (28/9/78) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| JSE Indust (28/9/78) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| SPAIN Madrid SE (30/12/85) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| SWEDEN Jacobson & P (31/12/56) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| SWITZERLAND Swiss Bank Cpn (31/12/58) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| WORLD M.S. Capital Intl. (1/1/70) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

** Saturday September 20: Japan Nikkel (c), TSE (c). Base values of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

## CANADA

| TORONTO | Sept. 26 | Sept. 25 | Sept. 24 | Sept. 23 | Sept. 22 | 1986 High | 1986 Low |
|---|---|---|---|---|---|---|---|
| Metals & Minerals | 2158.03 | 2156.5 | 2217.8 | 2229.3 | 2247.7 | [illegible] | [illegible] |
| Composite | 3001.6 | 2988.4 | 3017.3 | 3005.1 | 3019.1 | [illegible] | [illegible] |
| MONTREAL Portfolio | 1498.76 | 1501.39 | 1519.10 | 1514.15 | 1519.62 | [illegible] | [illegible] |

## NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day | | Stocks traded | Closing price | Change on day |
|---|---|---|---|---|---|---|---|
| Borg-Warner | 5,501,800 | 30¼ | −2 | Amer Motor | 2,188,700 | 3 | +⅛ |
| Hewlett-Pack | 2,889,700 | 37⅞ | −1⅛ | South Calif | 1,993,200 | 33⅞ | [illegible] |
| USX | 2,392,300 | 21⅝ | [illegible] | Gelco | 1,111,600 | 22⅞ | [illegible] |
| Lucky Stores | 2,257,200 | 33¾ | [illegible] | IBM | 1,100,000 | 135¼ | [illegible] |
| Allied Stores | 2,231,500 | 61 | [illegible] | Amerada Hess | 1,089,700 | 21⅞ | +1 |

Closing prices, September 26

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 26½ | 13¾ | AAR s | .44 | 2.1 | 18 | 438 | 21½ | 21¼ | 21⅜ | −⅛ |
| 30 | 21¾ | ADT | .92 | 3.6 | | 192 | 25¾ | 25¼ | 25½ | |
| 33 | 11½ | AFG s | .08i | .3 | 16 | 194 | 28¾ | 28¼ | 28½ | −⅜ |
| 25⅞ | 13¾ | AGS | | | 13 | 59 | 18½ | 18 | 18½ | +¾ |
| 15 | 9⅞ | AMCA | | | 256 | 21 | 10¼ | 10¼ | 10¼ | |
| 60⅝ | 37½ | AMR | | | 14 | 3088 | 58¾ | 55⅞ | 55⅞ | −½ |
| 27½ | 23¼ | ANR pf2.67 | | 10 | | 9 | 25¾ | 25¾ | 25¾ | −¼ |
| 12½ | 8 | APL | | | 6 | 15 | 11¼ | 11¼ | 11¼ | −¼ |
| 16¾ | 10 | ARX | .71t | 6.5 | 10 | 96 | 11 | 10⅞ | 11 | |
| 41½ | 26¾ | ASA | 2a | 5.2 | | 928 | 39⅜ | 38½ | 38¾ | −¼ |
| 18⅝ | 9¾ | AVX | | 3.0 | | 153 | 10¾ | 10¼ | 10¼ | +½ |
| 32 | 22⅝ | AZP | 2.72 | 9.4 | 8 | 881 | 29⅝ | 29 | 29 | −⅝ |
| 55 | 26⅜ | AbtLb s | .84 | 2.0 | 19 | 4560 | 42⅞ | 42 | 42 | −½ |
| 32 | 19⅝ | AccoWd | .56 | 2.2 | 17 | 289 | 25⅞ | 25½ | 25½ | −⅛ |
| 14⅞ | 8 | AcmeC | .40 | 4.0 | | 43 | 10⅛ | 9¾ | 10 | |
| 9¼ | 6¼ | AcmeE | .32b | 4.6 | 15 | 1 | 7 | 7 | 7 | |
| 22⅝ | 17 | AdaEx | 1.90e | 9.6 | | 186 | 19⅞ | 19⅝ | 19⅞ | −⅛ |
| 33⅝ | 16⅞ | AdmMl | .40 | 1.7 | 11 | 18 | 24⅛ | 24 | 24 | −⅜ |
| 20⅝ | 12⅞ | AdvSys | .83t | 6.2 | 12 | 98 | 13½ | 13⅜ | 13⅜ | −¼ |
| 32⅞ | 14⅛ | AMD | | | | 4485 | 17⅜ | 16¾ | 16⅞ | −⅝ |
| 12⅝ | 5⅜ | Adobe n | | | | 26 | 6⅞ | 6¾ | 6⅞ | −⅛ |
| 16⅝ | 13¾ | Adob pf | 1.84 | 12. | | 4 | 15⅜ | 15⅜ | 15⅜ | −⅛ |
| 20¼ | 15¼ | Adob pf | 2.40 | 13. | | 41 | 18¼ | 18⅛ | 18⅛ | −⅛ |
| 18⅝ | 7⅜ | Advest | .12a | .9 | 10 | 181 | 13⅜ | 13⅛ | 13¼ | −⅛ |
| 66¼ | 43½ | AetnLf | 2.64 | 4.6 | 10 | 3336 | 58⅜ | 57½ | 57¾ | +½ |
| 56½ | 51½ | AetL pf4.69e | | 8.9 | | 18 | 52⅞ | 52⅞ | 52⅞ | +⅛ |
| 28¾ | 9⅞ | Ahmns | .48 | 2.2 | 7 | 4531 | 21¼ | 20⅝ | 20¾ | −⅞ |
| 5¼ | 2⅝ | Aileen | | | 50 | 36 | 3⅝ | 3½ | 3½ | −⅛ |
| 41⅝ | 26 | AirPrd s | .80 | 2.3 | 63 | 510 | 35⅜ | 34¾ | 34⅝ | +¼ |
| 27¾ | 16 | AirbFrt | .60 | 3.1 | 17 | 98 | 19⅝ | 19¼ | 19⅜ | +⅛ |
| 2 | ⅜ | AlMoant | .60c | | | 63 | 7-16 | 13-32 | 13-32 | |
| 29 | 25⅝ | AlaP pf2.12e | | 8.1 | | 10 | 26¼ | 26¼ | 26¼ | −⅜ |
| 10¾ | 7⅝ | AlaP dpf | .87 | 8.7 | | 9 | 10⅛ | 10 | 10 | |
| 107 | 78½ | AlaP pf | 9.44 | 9.2 | | z200 | 102½ | 102¼ | 102¼ | −¾ |
| 94 | 68¾ | AlaP pf | 8.28 | 9.2 | | z150 | 91½ | 90¼ | 90¼ | −1¼ |
| 22⅞ | 14¼ | AlskAir | .16 | .9 | 20 | 538 | 18⅞ | 18½ | 18⅝ | −⅜ |
| 25 | 10¼ | Albrto s | .21 | 1.4 | 15 | 26 | 15⅜ | 15 | 15¼ | |
| 23¼ | 13½ | AlbCul | s.21 | 1.4 | 16 | 240 | 15¾ | 14½ | 15½ | +1¼ |
| 49½ | 27 | Albtsns | .84 | 1.9 | 15 | 500 | 43½ | 42¾ | 43⅜ | +⅜ |
| 34⅝ | 27¾ | Alcan | .80 | 2.5 | | 2632 | 31⅝ | 31⅜ | 31½ | −⅜ |
| 46¾ | 32 | AlcoStd | .24 | 3.2 | 17 | 163 | 39⅝ | 38⅝ | 39 | −¾ |
| 42⅝ | 27 | AlexAlx | 1 | 2.8 | | 252 | 36⅛ | 35⅞ | 35⅞ | −¼ |
| 49 | 23¾ | Alexdr | | | 33 | 438 | 47 | 44¾ | 47 | +2⅝ |
| 114 | 77⅛ | AllgCp | 1.54t | 1.5 | 15 | 28 | 102½ | 102¼ | 102½ | −¼ |
| 28¾ | 11⅜ | AlgInt | .35j | 1.8 | | 170 | 20⅝ | 19⅞ | 20 | −⅜ |
| 19¾ | 9½ | AlgIn pf1.64j | | | | 16 | 14 | 13⅞ | 13⅞ | −⅛ |
| 95½ | 39 | Algl pfC8.44j | | | | 30 | 59¼ | 59 | 59¼ | −⅛ |
| 53⅞ | 28½ | AllgPw | 2.92 | 6.4 | 11 | 968 | 46¼ | 45½ | 45⅞ | −½ |
| 27¼ | 16½ | AllenGs | .56 | 3.2 | 16 | 1047 | 18¼ | 17⅝ | 17¾ | +¼ |
| 29⅞ | 23½ | Allen pf1.75 | | 7.3 | | 266 | 24¼ | 24 | 24 | −⅝ |
| 45½ | 16½ | AlldPd | | | 23 | 94 | 33¾ | 33¼ | 33⅜ | −⅝ |
| 49½ | 36¼ | AldSgnl | .80b | 4.4 | | 2366 | 41¼ | 40½ | 40¾ | +¼ |
| 114⅝ | 101½ | AldS pfD | 12 | 12. | | 80 | 102¼ | 102¼ | 102¼ | −¾ |
| 62 | 25⅛ | AldStr | s1.18 | 1.9 | 18 | 2128 | 61¾ | 60½ | 60¾ | −⅝ |
| 10⅛ | 5¼ | AlldSup | | | 12 | 1485 | 7⅞ | 7⅛ | 7⅞ | +½ |
| 6¾ | 2¼ | AllisCh | | | | 59 | 2⅞ | 2¾ | 2¾ | −⅛ |
| 40¾ | 25¼ | AlisC pf | | | | 16 | 26 | 25¾ | 26 | +½ |
| 44⅛ | 27 | ALLTL | 1.86 | 5.3 | 11 | 130 | 37⅛ | 36⅝ | 37 | +⅜ |
| 46⅝ | 31½ | Alcoa | 1.20 | 3.3 | | 1311 | 37⅛ | 36⅝ | 36¾ | |
| 16⅝ | 10½ | Amax | | | | 533 | 14⅜ | 14¼ | 14¼ | −⅛ |
| 36 | 27½ | Amax pf | 3 | 8.8 | | 4 | 34¼ | 34¼ | 34¼ | +¾ |
| 32¼ | 16½ | AmHes | .27j | | | 10999 | 22½ | 20 | 21½ | +1 |
| 1⅞ | ⅜ | AmAgr | | | | 55 | 11-16 | ⅝ | 11-16 | |
| 35 | 22 | ABakr | | | 15 | 82 | 31½ | 31¼ | 31¼ | −¼ |
| 105 | 53¼ | ABrand | 4.05 | 4.9 | 11 | 1056 | 83½ | 82¾ | 83 | +⅛ |
| 52½ | 26⅝ | ABrnd wi | | | | 2 | 41⅞ | 41⅞ | 41⅞ | +⅛ |
| 101 | 54⅞ | ABrd pf2.67 | | 3.2 | | 1 | 84½ | 84½ | 84½ | +½ |
| 29 | 20⅞ | ABldM | .90 | 3.7 | 17 | 24 | 24¼ | 24⅛ | 24⅛ | +¼ |
| 36⅞ | 25⅜ | ABusPr | .76 | 2.9 | 13 | 19 | 25⅞ | d25¼ | 25⅞ | +⅜ |
| 91⅞ | 50¾ | AmCan | 2.90 | 3.6 | 12 | 412 | 81⅞ | 80 | 81¼ | +¼ |
| 119½ | 110½ | ACan pf13.75 | | 12. | | 302 | 116⅞ | 116 | 116 | |
| 25⅜ | 19⅞ | ACapBd | 2.20 | 9.4 | | 35 | 23½ | 23⅜ | 23⅜ | |
| 33¼ | 25¼ | ACapCv | 2.73e | 8.6 | | 28 | 32⅛ | 31½ | 31¾ | −¼ |
| 24¼ | 14⅝ | ACMR n.15e | | .9 | 11 | 775 | 16⅞ | 16½ | 16⅞ | +⅛ |
| 7⅞ | 3⅝ | ACentC | | | | 16 | 3⅝ | 3⅝ | 3⅝ | |
| 89⅞ | 45⅝ | ACyan | 1.90 | 2.5 | 24 | 4555 | 77⅝ | 75⅛ | 76 | −1⅝ |
| 31½ | 20¼ | AEIPw | 2.26 | 8.3 | 11 | 1112 | 27½ | 27 | 27¼ | |
| 70⅛ | 40⅝ | AmExp | 1.36 | 2.4 | 11 | 8108 | 56 | 55⅜ | 55¾ | −½ |
| 37⅜ | 17 | AFaml s | .40 | 1.5 | 15 | 538 | 27¼ | 26¼ | 26½ | |
| 46¾ | 27¼ | AGnCp | 1.12 | 2.9 | 11 | 1402 | 39⅜ | 39 | 39⅛ | −⅛ |
| 24 | 10¼ | AGnl wt | | | | 27 | 17⅞ | 17½ | 17⅞ | −⅛ |
| 44⅛ | 33½ | AHerit | 1.32 | 3.4 | 13 | 18 | 39¾ | 39⅜ | 39⅜ | −¼ |
| 10⅞ | 6⅛ | AHoist | | | | 60 | 7¾ | 7⅝ | 7⅝ | −⅛ |

Continued on Page 33

# NYSE COMPOSITE CLOSING PRICES

Continued from Page 32

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE CLOSING PRICES

Closing prices September 26

# OVER-THE-COUNTER

*Nasdaq national market, closing prices, September 26*

Continued on Page 31

# CURRENCIES, MONEY & CAPITAL MARKETS

## FOREIGN EXCHANGES

# Sterling looks for relief from abroad

GILTS WILL start better tomorrow, said a dealer at Scrimgeour Vickers on Wednesday night. He was right, but by the end of the day not even the support offered by a more optimistic US Treasury bond market could sustain prices, and gilts finished up to ¾ point lower on Thursday, following even larger losses on Wednesday.

The reason was the slide in the value of sterling, amid growing fears that the pound's fall from favour would not easily be reversed. Sterling's weakness was not the result of any one factor, but suffered from a series of events which made it the obvious candidate for selling at a time of continued demand for the D-Mark.

It was no great surprise when the West German Bundesbank decided to leave interest rates unchanged at Thursday's council meeting. The market had been clutching at straws in hoping sterling would be granted a breathing space by a cut in the 3.5 per cent West German discount rate, but while there was a chance, pressure on the pound was temporarily suspended.

A change of plan by Mr Karl Otto Poehl, president of the Bundesbank, who had originally intended to be on his way to the gathering of central bankers and finance ministers in Washington, when the Bundesbank council met, raised hopes West Germany might be about to ease credit policy. This was something of a faint hope, however, as it always seemed most likely that Mr Poehl had delayed his departure to Washington to brief council members on the Gleneagles meeting of EEC officials the previous weekend, and to gain acceptance for West Germany's position at the Washington meetings.

There was little point in Mr Poehl arriving in Washington having already played his strongest card, in what would obviously be difficult negotiations on exchange rates and monetary policy.

The US has for some time been asking West Germany and Japan to cut interest rates and stimulate growth to help cut the US trade deficit, contrasting the US problem with the large surpluses being run by these two countries.

On the other hand West German and Japanese officials could point to the failure of the US to reduce its budget deficit and to their own domestic problems, including above target money supply. Figures released last week also suggested the strength of the D-Mark and yen were turning the trade position against West Germany and Japan. West German visible trade remained comfortably in surplus in August, but narrowed to DM 8.5bn from DM 10.9bn in July, while exports stagnated and imports rose.

Japan's industrial production index fell 2.4 per cent in August, the sharpest decline since October 1982. During the same month the value of exports of Japan's 13 leading trading houses fell 13.7 per cent, although this figure was confusing, because it was quoted in terms of the yen. Because of the strength of the Japanese currency exports in yen fell 30.1 per cent from a year earlier, the seventh successive monthly year-on-year drop, but on a dollar basis exports in August were up 7.7 per cent from the same time last year.

This seems to be a classic example of figures being open to any interpretation, and would obviously be looked at very differently by Tokyo and Washington.

In nervous trading ahead of the Washington meetings the dollar moved back above DM 2.00, and pressure increased on sterling.

The market was very disappointed with the August UK trade figures. Forecasts suggested a visible deficit of about £600m, which after taking account of invisible earnings would leave the current account roughly flat, but the deficit on trade was a record £1.49bn and the current account short fall was £886m.

The Bank of England supported the pound several times during the week, but each time seemed less effective than the last. Sterling fell to a record low on the exchange rate index, as fears increased that without help from abroad, in the form of lower interest rates, UK rates would have to go up.

### £ IN NEW YORK

| Sept. 26 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.4360-1.437 | 1.4340-1.4350 |
| 1 month | 0.50-0.49 pm | 0.48-0.46 pm |
| 3 months | 1.57-1.55 pm | 1.58-1.54 pm |
| 12 months | 4.35-4.05 pm | 4.25-4.15 pm |

Forward premiums and discounts apply to the U.S. dollar.

### STERLING INDEX

| | Sept. 26 | Previous |
|---|---|---|
| 8.30 am | 68.8 | 69.4 |
| 9.00 am | 68.8 | 69.4 |
| 10.00 am | 68.7 | 69.4 |
| 11.00 am | 68.7 | 69.4 |
| Noon | 68.7 | 69.3 |
| 1.00 pm | 68.8 | 69.4 |
| 2.00 pm | 68.9 | 69.2 |
| 3.00 pm | 68.7 | 69.1 |
| 4.00 pm | 68.7 | 68.7 |

### CURRENCY MOVEMENTS

| September 26 | Bank of England Index | Morgan Guaranty Changes % |
|---|---|---|
| Sterling | 68.7 | -24.1 |
| U.S. Dollar | 110.7 | +2.4 |
| Canadian Dollar | 77.2 | -12.9 |
| Austrian Schilling | 131.5 | +8.6 |
| Belgian Franc | 96.4 | -6.0 |
| Danish Kroner | 88.7 | +1.1 |
| Deutsche Mark | 140.4 | +18.5 |
| Swiss Franc | 168.8 | +22.7 |
| Guilder | 129.4 | +12.1 |
| French Franc | 69.7 | -13.4 |
| Lira | 47.6 | -16.1 |
| Yen | 217.7 | +61.5 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1976=100).

### CURRENCY RATES

| Sept. 26 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | 0.840778 | 0.711055 |
| U.S. Dollar | 6 | 1.20761 | 1.02321 |
| Canadian $ | 8.63 | * | 1.42175 |
| Austrian Sch. | 4 | 17.3340 | 14.7076 |
| Belgian Franc | 8 | 51.1906 | 43.3533 |
| Danish Kroner | 7 | 9.32758 | 7.88637 |
| Deutsche Mark | 3½ | 2.46609 | 2.09092 |
| Neth. Guilder | 4½ | 2.79199 | 2.36381 |
| French Franc | 9½ | 8.08374 | 6.84986 |
| Italian Lira | 12 | N/A | 1445.28 |
| Japanese Yen | 3½ | 186.636 | 157.727 |
| Norway Krone | 8 | 8.95201 | 7.57327 |
| Spanish Peseta | — | 162.484 | 137.826 |
| Swedish Krona | 8 | 8.39289 | 7.09953 |
| Swiss Franc | 4 | 1.99799 | 1.69239 |
| Greek Drach. | 20½ | 164.416 | 139.195 |
| Irish Punt | — | N/A | 0.763588 |

* C$/SDR rate for Sep.26; N/A

### OTHER CURRENCIES

| Sept. 26 | £ | $ |
|---|---|---|
| Argentina | 1.5195-1.5250 | 1.0590-1.0620 |
| Australia | 2.2790-2.2830 | 1.5875-1.5895 |
| Brazil | 19.75-19.88 | 13.77-13.84 |
| Finland | 7.0790-7.0910 | 4.9310-4.9340 |
| Greece | 193.88-197.01 | 135.10-137.30 |
| Hong Kong | 11.1935-11.2060 | 7.8010-7.8030 |
| Iran | 110.60* | 76.50* |
| Kuwait | 0.4200-0.4205 | 0.29280-0.29300 |
| Luxembourg | 60.90-61.00 | 42.35-42.45 |
| Malaysia | 3.7650-3.7745 | 2.6230-2.6260 |
| N. Zealand | 2.9670-2.9770 | 2.0595-2.0660 |
| Saudi Ar. | 5.3785-5.3815 | 3.7495-3.7500 |
| Singapore | 3.1155-3.1220 | 2.1710-2.1730 |
| S. Af. (Cm) | 3.2040-3.2275 | 2.2320-2.2370 |
| S. Af. (Fn) | 5.9825-6.2435 | 4.1665-4.3480 |
| U.A.E. | 5.2680-5.2715 | 3.6725-3.6735 |

* Selling rate.

### FORWARD RATES AGAINST STERLING

| | Spot | 1 mth | 3 mths | 6 mths | 12 mths |
|---|---|---|---|---|---|
| US Dollar | 1.4370 | 1.4322 | 1.4213 | 1.4053 | 1.3755 |
| D-mark | 2.9400 | 2.9265 | 2.8970 | 2.8547 | 2.7725 |
| French Fr. | 9.6325 | 9.6165 | 9.5753 | 9.5042 | 9.3581 |
| Swiss Fr. | 2.3875 | 2.3756 | 2.3506 | 2.3149 | 2.2407 |
| Yen | 221.75 | 220.78 | 218.70 | 215.65 | 209.51 |

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu September 26 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 43.3139 | 43.3533 | +0.56 | +0.09 | ±1.5368 |
| Danish Krone | 7.81701 | 7.88637 | +0.89 | +1.22 | ±1.6403 |
| German D-Mark | 2.13083 | 2.09092 | -0.94 | -0.61 | ±1.1127 |
| French Franc | 6.87316 | 6.84986 | -0.34 | -0.01 | ±1.3659 |
| Dutch Guilder | 2.37833 | 2.36381 | -0.61 | -0.28 | ±1.5059 |
| Irish Punt | 0.764976 | 0.763588 | -0.18 | +0.15 | ±1.6683 |
| Italian Lira | 1476.95 | 1445.28 | -2.14 | -2.07 | ±4.0734 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### EXCHANGE CROSS RATES

| Sept. 26 | £ | $ | DM | YEN | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1. | 1.437 | 2.940 | 221.8 | 9.633 | 2.388 | 3.323 | 2031. | 1.996 | 60.95 |
| $ | 0.696 | 1. | 2.046 | 154.4 | 6.703 | 1.661 | 2.313 | 1413. | 1.389 | 42.40 |
| DM | 0.340 | 0.489 | 1. | 75.43 | 3.276 | 0.812 | 1.130 | 690.5 | 0.679 | 20.73 |
| YEN | 4.510 | 6.480 | 13.26 | 1000. | 43.44 | 10.77 | 14.98 | 9158. | 8.999 | 274.9 |
| F Fr. | 1.038 | 1.492 | 3.052 | 230.2 | 10. | 2.479 | 3.449 | 2111. | 2.072 | 63.28 |
| S Fr. | 0.419 | 0.602 | 1.231 | 92.88 | 4.035 | 1. | 1.392 | 851.5 | 0.836 | 25.53 |
| H Fl. | 0.301 | 0.432 | 0.885 | 66.74 | 2.899 | 0.719 | 1. | 611.9 | 0.601 | 18.34 |
| Lira | 0.492 | 0.707 | 1.448 | 109.1 | 4.738 | 1.174 | 1.634 | 1000. | 0.982 | 29.98 |
| C $ | 0.501 | 0.720 | 1.473 | 111.1 | 4.827 | 1.196 | 1.665 | 1019. | 1. | 30.54 |
| B Fr. | 1.641 | 2.358 | 4.824 | 363.8 | 15.80 | 3.917 | 5.451 | 3336. | 3.274 | 100. |

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

### EURO-CURRENCY INTEREST RATES

| Sept. 26 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 8⅞-9⅛ | 8⅞-9¼ | 10⅛-10¼ | 10⅜-10½ | 10½-10⅝ | 10⅝-10¾ |
| US Dollar | 5⅝-5⅞ | 6⅛-6⅝ | 6-6⅛ | 5⅞-6⅛ | 5⅞-6⅛ | 6⅛-6¼ |
| Can. Dollar | 7¼-7¾ | 7⅝-8¼ | 8-8⅜ | 8¼-8½ | 8⅜-8¾ | 8⅞-9⅛ |
| D. Guilder | 5¼-5⅜ | 5¼-5⅜ | 5¼-5⅜ | 5¼-5⅜ | 5⅜-5⅝ | 5⅜-5⅝ |
| Sw. Franc | 0-½ | 9⅝-9⅞ | 4⅛-4¼ | 4⅛-4¼ | 4⅛-4¼ | 4⅛-4¼ |
| Deutschmark | 4⅛-4½ | 4⅝-4⅞ | 4½-4⅝ | 4½-4⅝ | 4⅝-4¾ | 4⅝-4¾ |
| Fr. Franc | 7-7⅛ | 7⅛-7⅜ | 7⅞-8 | 7⅞-8 | 7⅞-7⅞ | 7⅞-7⅞ |
| Italian Lire | 9½-10½ | 10½-12 | 11¼-12 | 11¼-11⅞ | 11-11⅞ | 10⅞-11⅞ |
| B. Fr. (Fin.) | 7-7¼ | 7⅛-7⅜ | 7⅛-7⅜ | 7⅛-7⅜ | 7⅛-7⅜ | 7⅛-7⅜ |
| B. Fr. (Con.) | 6⅞-7¼ | 7-7½ | 7⅛-7⅜ | 7⅛-7⅜ | 7¼-7⅜ | 7⅛-7⅜ |
| Yen | 4⅛-5⅛ | 5⅛-6⅛ | 5-5⅛ | 4⅞-5 | 4⅞-4⅞ | 4⅞-4⅞ |
| D. Krone | 9½-10 | 9½-10 | 9⅞-10¼ | 9⅞-10¼ | 9⅞-10¼ | 10-10½ |
| Asian $ (Sing.) | 5⅞-6 | 6¼-6⅝ | 6¼-6⅝ | 5⅞-6⅛ | 5⅞-6⅛ | 6⅛-6⅜ |

Long-term Eurodollars: Two years 6⅞-7⅛ per cent; three years 7¼-7½ per cent; four years 7¾-8 per cent; five years 7⅞-8⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two day's notice.

### POUND SPOT—FORWARD AGAINST THE POUND

| Sept. 26 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.4300-1.4395 | 1.4365-1.4375 | 0.50-0.47c pm | 4.05 | 1.60-1.55 pm | 4.38 |
| Canada | 1.9913-1.9989 | 1.9950-1.9960 | 0.34-0.25c pm | 1.77 | 1.02-0.87 pm | 1.88 |
| Netherlands | 3.30-3.32¼ | 3.31¼-3.32¼ | 1⅜-1¼c pm | 4.74 | 4½-4¼pm | 5.19 |
| Belgium | 60.72-61.05 | 60.90-61.00 | 17-12c pm | 2.85 | 51-42 pm | 3.05 |
| Denmark | 11.07¼-11.11¼ | 11.09¼-11.10¼ | 8 pm-½ ore dis | 4.05 | 1½-½ pm | 0.36 |
| Ireland | 1.0695-1.0880 | 1.0700-1.0710 | 0.10-0.25 p dis | -1.96 | 0.25-0.45 dis | -1.31 |
| W. Germany | 2.92¾-2.94½ | 2.93½-2.94½ | 1½-1¼pf pm | 5.61 | 4½-4¼pm | 5.95 |
| Portugal | 211.09-213.04 | 211.45-213.04 | 70-135c dis | -5.80 | 230-380 dis | -5.75 |
| Spain | 193.28-194.00 | 193.64-193.91 | 30-65c dis | -2.94 | 65-115 dis | -1.86 |
| Italy | 2024-2038 | 2032½-2033½ | par-4 lire dis | -1.18 | 1-7 dis | -0.79 |
| Norway | 10.61¼-10.66¼ | 10.64¼-10.65¼ | 3⅞-4 ore dis | -4.15 | 9⅞-10⅛ dis | -3.66 |
| France | 9.59-9.64¼ | 9.62¾-9.63¾ | 1⅞-1¼c pm | 1.95 | 6½-5½ pm | 2.49 |
| Sweden | 9.95¼-9.98½ | 9.97¼-9.98¼ | ⅞-⅜ ore pm | 0.75 | 2⅞-2⅛ pm | 0.50 |
| Japan | 220¾-222¼ | 221¼-222¼ | 1⅛-⅞ y pm | 5.67 | 3¼-3 pm | 5.90 |
| Austria | 20.60-20.69 | 20.66-20.69 | 8⅞-8 gro pm | 4.90 | 26¼-23⅞ pm | 4.85 |
| Switzerland | 2.36¼-2.39¼ | 2.38¼-2.39¼ | 1¼-1⅛c pm | 5.97 | 3⅞-3⅝ pm | 6.28 |

Belgian rate is for convertible francs. Financial franc 61.45-61.55. Six-month forward dollar 3.20-3.15c pm. 12-month 6.20-6.10c pm.

### DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

| Sept. 26 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.4300-1.4395 | 1.4365-1.4375 | 0.50-0.47c pm | 4.05 | 1.60-1.55 pm | 4.38 |
| Ireland† | 1.3360-1.3428 | 1.3375-1.3385 | 0.70-0.50c pm | 5.37 | 2.15-1.65pm | 5.65 |
| Canada | 1.3880-1.3935 | 1.3880-1.3890 | 0.25-0.28c dis | -2.29 | 0.85-0.90dis | -2.52 |
| Netherlands | 2.3015-2.3195 | 2.3120-2.3130 | 0.15-0.13c pm | 0.73 | 0.44-0.39pm | 0.72 |
| Belgium | 42.28-42.49 | 42.35-42.45 | 3-5c dis | -1.13 | 13—17 dis | -1.42 |
| Denmark | 7.70-7.76¼ | 7.72-7.72½ | 1.75-2.35ore dis | -3.19 | 5.75-6.35dis | 3.14 |
| W. Germany | 2.0380-2.0485 | 2.0450-2.0460 | 0.27-0.24pf pm | 1.50 | 0.78-0.73pm | 1.48 |
| Portugal | 147½-148½ | 148-148½ | 100-140c dis | -9.75 | 315-415dis | -9.88 |
| Spain | 134.35-135.06 | 134.75-134.85 | 65-90c dis | -6.91 | 190-240dis | -6.39 |
| Italy | 1409½-1417 | 1414¼-1415¼ | 5-7½lire dis | -5.31 | 17-20½dis | -5.31 |
| Norway | 7.38½-7.41¾ | 7.41-7.41½ | 4.85-5.25ore dis | -8.20 | 14.90-15.30dis | -8.17 |
| France | 6.67½-6.71¾ | 6.70-6.71½ | 1.05-1.25c dis | -2.06 | 3.20-3.60dis | -2.03 |
| Sweden | 6.92¼-6.95¼ | 6.94-6.94½ | 1.60-1.80ore dis | -2.94 | 5.30-5.70dis | -3.17 |
| Japan | 153.95-154.60 | 154.30-154.40 | 0.18-0.13y pm | 1.21 | 0.46-0.41pm | 1.13 |
| Austria | 14.34½-14.40¼ | 14.39-14.39½ | 1-⅜gro pm | 0.57 | 2-1½pm | 0.35 |
| Switzerland | 1.6510-1.6615 | 1.6605-1.6615 | 0.30-0.25c pm | 1.99 | 0.78-0.73pm | 1.83 |

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.75-42.85.

### LIFFE LONG GILT FUTURES OPTIONS

| Strike Price | Calls—Last Dec. | Mar. | June | Sept. | Puts—Last Dec. | Mar. | June | Sept. |
|---|---|---|---|---|---|---|---|---|
| 88 | 6.52 | 7.31 | — | — | 0.32 | 2.05 | — | — |
| 90 | 5.15 | 6.13 | — | — | 0.59 | 2.51 | — | — |
| 92 | 3.55 | 5.05 | — | — | 1.35 | 3.43 | — | — |
| 94 | 2.46 | 4.06 | — | — | 2.26 | 4.44 | — | — |
| 96 | 1.33 | 3.17 | — | — | 3.33 | 5.55 | — | — |
| 98 | 1.11 | 2.35 | — | — | 4.55 | 7.09 | — | — |
| 100 | 0.46 | 1.62 | — | — | 6.36 | 8.36 | — | — |
| 102 | 0.27 | 1.32 | — | — | 8.07 | 10.06 | — | — |

Estimated volume total, Calls 31, Puts 43
Previous day's open int. Calls 517 Puts 833

### LIFFE US TREASURY BOND FUTURES OPTIONS

| Strike Price | Calls—Last Dec. | Mar. | June | Sept. | Puts—Last Dec. | Mar. | June | Sept. |
|---|---|---|---|---|---|---|---|---|
| 88 | 6.52 | 7.31 | — | — | 0.32 | 2.05 | — | — |
| 90 | 5.15 | 6.13 | — | — | 0.59 | 2.51 | — | — |
| 92 | 3.55 | 5.05 | — | — | 1.35 | 3.43 | — | — |
| 94 | 2.46 | 4.06 | — | — | 2.26 | 4.44 | — | — |
| 96 | 1.33 | 3.17 | — | — | 3.33 | 5.55 | — | — |
| 98 | 1.11 | 2.35 | — | — | 4.55 | 7.09 | — | — |
| 100 | 0.46 | 1.62 | — | — | 6.36 | 8.36 | — | — |
| 102 | 0.27 | 1.32 | — | — | 8.07 | 10.06 | — | — |

Estimated volume total, Calls 31, Puts 43
Previous day's open int. Calls 517 Puts 833

### LIFFE £/$ OPTIONS
£25,000 (cents per £1)

| Strike Price | Calls—Last Oct. | Dec. | Mar. | Jun. | Puts—Last Oct. | Dec. | Mar. | Jun. |
|---|---|---|---|---|---|---|---|---|
| 1.30 | 13.51 | 13.51 | 13.51 | 13.51 | — | 0.00 | 0.80 | 0.30 |
| 1.35 | 8.51 | 8.51 | 8.51 | 8.51 | 0.02 | 0.46 | 0.81 | 1.21 |
| 1.40 | 3.70 | 4.32 | 4.73 | 5.41 | 0.41 | 1.46 | 2.55 | 3.35 |
| 1.45 | 0.85 | 1.82 | 2.36 | 3.48 | 2.56 | 4.36 | 5.18 | 6.26 |
| 1.50 | 0.07 | 0.59 | 1.00 | 2.05 | 6.78 | 7.93 | 8.82 | 9.62 |
| 1.55 | 0.00 | 0.14 | 0.36 | 1.10 | 11.71 | 12.48 | 13.18 | — |
| 1.60 | 0.00 | 0.03 | 0.11 | 0.57 | 16.71 | 17.37 | 17.93 | — |

Estimated volume total, Calls 355 Puts 99
Previous day's open int. Calls 2,224, Puts 2,932

### PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

| Strike Price | Calls—Last Oct. | Nov. | Dec. | Mar. | Puts—Last Oct. | Nov. | Dec. | Mar. |
|---|---|---|---|---|---|---|---|---|
| 1.30 | — | — | 13.55 | — | — | — | 0.25 | — |
| 1.35 | 8.50 | — | 8.80 | 8.90 | 0.05 | — | 0.90 | 2.40 |
| 1.40 | 3.50 | 4.40 | 4.70 | 5.50 | 0.55 | 1.55 | 2.30 | 4.40 |
| 1.45 | 0.80 | 1.90 | 2.35 | 3.30 | 2.30 | 3.90 | 4.80 | 7.25 |
| 1.50 | 0.05 | 0.50 | 0.95 | 1.80 | 6.40 | 7.55 | 8.40 | 10.65 |
| 1.55 | — | 0.10 | 0.30 | 0.90 | 11.20 | 11.85 | 12.55 | 14.55 |
| 1.60 | — | 0.05 | 0.05 | 0.40 | 16.30 | 16.75 | 17.40 | 18.95 |

Previous day's open int.: Calls 35,190 Puts 42,834
Previous day's volume: Calls 1,004 Puts 2,194

### LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

| Strike Price | Calls—Last Oct. | Nov. | Dec. | Mar. | Puts—Last Oct. | Nov. | Dec. | Mar. |
|---|---|---|---|---|---|---|---|---|
| 1.35 | — | — | 19.80 | 18.50 | — | — | 1.50 | 2.20 |
| 1.40 | 4.00 | 4.65 | 5.05 | 6.05 | 0.60 | 1.85 | 2.75 | 3.60 |
| 1.45 | 1.00 | 2.05 | 2.60 | 3.75 | 2.50 | 4.35 | 5.55 | 7.85 |
| 1.50 | 0.20 | 0.80 | 1.30 | 2.10 | 7.05 | 8.05 | 8.95 | 11.30 |
| 1.55 | 0.20 | 0.30 | 0.55 | 1.20 | 11.95 | 12.60 | 13.30 | 15.35 |
| 1.60 | — | — | 0.25 | 0.60 | — | — | 18.00 | 19.75 |
| 1.65 | — | — | 0.70 | 1.50 | — | — | 18.70 | 20.20 |

Previous day's open int.: Calls 2,531, Puts 1,959
Volume: 123

### LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

| Strike Price | Calls—Last Dec. | Mar. | June | Sept. | Puts—Last Dec. | Mar. | June | Sept. |
|---|---|---|---|---|---|---|---|---|
| 9300 | 0.94 | 0.93 | 0.83 | — | 0.01 | 0.10 | 0.23 | — |
| 9325 | 0.71 | 0.73 | 0.66 | — | 0.03 | 0.15 | 0.31 | — |
| 9350 | 0.50 | 0.55 | 0.51 | — | 0.07 | 0.22 | 0.41 | — |
| 9375 | 0.32 | 0.40 | 0.38 | — | 0.14 | 0.32 | 0.53 | — |
| 9400 | 0.19 | 0.27 | 0.27 | — | 0.26 | 0.44 | 0.67 | — |
| 9425 | 0.09 | 0.17 | 0.18 | — | 0.41 | 0.59 | 0.83 | — |
| 9450 | 0.04 | 0.10 | — | — | 0.61 | 0.77 | — | — |

Previous day's open int: Calls 1,169 Puts 1,292 Estimated volume, Calls 160 Puts 150

### LONDON

**20-YEAR 12% NOTIONAL GILT**
£50,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Sept. | 110-17 | — | — | 110-11 |
| Dec. | 111-19 | 111-24 | 110-00 | 110-14 |
| March | 111-14 | 111-08 | 110-22 | 110-09 |
| June | 111-14 | — | — | 110-09 |

Est volume 9,513 (15,493)
Previous day's open int. 15,032 (14,190).
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) —4 to 4 (32nds).

**10% NOTIONAL SHORT GILT**
£100,000 64ths of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Sept. | 96-04 | 96-10 | 96-05 | 96-09 |
| Dec | 96-30 | 96-30 | 95-60 | 96-03 |
| March | 96-25 | — | — | 96-03 |

Est Volume 281 (520)
Previous day's open int. 1,467 (1,458)

**THREE-MONTHS STERLING**
£500,000 points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 89-03 | 89-05 | 88-75 | 88-97 |
| March | 89-21 | 89-25 | 89-02 | 89-18 |
| June | 89-40 | 89-42 | 89-20 | 89-37 |
| Sept. | 89-30 | 89-40 | 89-30 | 89-37 |
| Dec. | 89-17 | — | — | 89-24 |
| March | 88-96 | — | — | 89-03 |

Est Volume 5,518 (7,106)
Previous day's open int 13,901 (13,845)

**FT-SE 100 INDEX**
£25 per full index point

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Sept. | 156.60 | 157.50 | 155.70 | 157.55 |
| Dec. | 159.50 | 160.80 | 158.60 | 160.25 |
| March | 162.50 | — | — | 163.25 |

Estimated volume 1,483 (1,070)
Previous day's open int. 2,645 (2,322)

**THREE-MONTH EURODOLLAR**
$1m points of 100%

| | Close | High | low | prev. |
|---|---|---|---|---|
| Dec. | 93.93 | 93.97 | 93.89 | 94.03 |
| March | 93.83 | 93.88 | 93.80 | 93.93 |
| June | 93.60 | 93.67 | 93.57 | 93.69 |
| Sept. | 93.26 | 93.33 | 93.26 | 93.36 |
| Dec. | 92.88 | 92.93 | 92.86 | 92.98 |
| March | 92.50 | — | — | 92.60 |

Estimated volume 4,154 (5,826)
Previous day's open int. 23,194 (23,788)

**U.S. TREASURY BONDS 8%**
$100,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 94-10 | 94-30 | 94-01 | 95-08 |
| March | 93-13 | — | — | 94-11 |

Est.5,814 (6,972)
Previous day's open int. 5,713 (5,762)

### CURRENCY FUTURES

**POUND—$ (FOREIGN EXCHANGE)**

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.4370 | 1.4322 | 1.4213 | 1.4053 | 1.3755 |

**IMM—STERLING $e per £**

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 1.4220 | 1.4280 | 1.4200 | 1.4200 |
| Mar. | 1.4415 | 1.4100 | 1.4025 | 1.4005 |
| June | 1.3910 | 1.3960 | 1.3960 | 1.3880 |

**LIFFE—STERLING £25,000 $ per £**

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 1.4218 | 1.4230 | 1.4213 | 1.4197 |
| Mar. | 1.4058 | — | — | 1.4022 |
| June | 1.3896 | — | — | 1.3875 |

Estimated volume 22 (1)
Previous day's open int. 928 (928)

### CHICAGO

**U.S. TREASURY BONDS (CBT) 8%**
$100,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 95-21 | 95-28 | 94-24 | 95-07 |
| March | 94-22 | 94-29 | 93-29 | 94-09 |
| June | 93-22 | 93-27 | 92-08 | 93-10 |
| Sept. | 92-24 | 92-30 | 92-12 | 92-13 |
| Dec. | 91-29 | 92-03 | 91-19 | 91-18 |
| March | 91-04 | 91-14 | 89-27 | 90-25 |
| June | 90-13 | 90-20 | 89-28 | 90-05 |
| Sept. | 89-25 | — | — | 89-17 |
| Dec. | 89-07 | 89-11 | 88-08 | 88-29 |
| March | 88-23 | — | — | 88-13 |
| June | 88-09 | — | — | 87-31 |

**U.S. TREASURY BILLS (IMM)**
$1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 94.80 | 94.81 | 94.68 | 94.79 |
| March | 94.73 | 94.75 | 94.63 | 94.74 |
| June | 94.54 | 94.56 | 94.46 | 94.55 |
| Sept. | 93.87 | 93.87 | 93.77 | 93.87 |
| Dec. | 93.51 | 93.51 | 93.41 | 93.51 |
| March | 93.15 | 93.16 | 93.06 | 93.16 |
| June | 94.23 | 94.24 | 94.14 | 94.23 |

**CERT. DEPOSIT (IMM)**
$1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Sept. | 94.32 | — | — | 94.32 |
| Dec. | 94.38 | — | — | 94.36 |

**THREE-MONTH EURODOLLAR (IMM)**
$1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec. | 94.01 | 94.03 | 93.88 | 93.99 |
| Mar. | 93.90 | 93.93 | 93.78 | 93.89 |
| June | 93.67 | 93.70 | 93.55 | 93.65 |
| Sept. | 93.32 | 93.35 | 93.20 | 93.29 |
| Dec. | 92.92 | 92.94 | 92.78 | 92.89 |
| March | 92.52 | 92.54 | 92.40 | 92.49 |
| June | 92.13 | 92.17 | 92.02 | 92.11 |
| Sept. | 91.76 | 91.79 | 91.65 | 91.74 |

## MONEY MARKETS

# Clearing the decks as fears grow

IT WAS a week that most dealers in London's financial markets will want to forget. A dealer at one of the largest traders on the London International Financial Futures Exchange said "I doubt whether anyone has made any large profits in this market lately," as rumours circulated about some large losses, particularly involving one US based trader.

Another dealer on Liffe commented "This has been a sad day for gilts." He was speaking on Thursday when the market failed to sustain early gains, and fell sharply for the second day running, as disappointment at the record UK trade deficit combined with the failure of the West German Bundesbank to cut interest rates to push sterling down to a record low.

In the general mood of despondency dealers in London began to look ahead to the mid-September UK money supply figures. Forecasts were not very encouraging and it is generally expected the figures on October 7 will show another large rise in sterling M3, perhaps by 2.5 per cent, which would be about double the August rise.

A week pound, record trade deficit, and fears about rising money supply growth, were not a recipe for confidence. The discount houses provide a good barometer of conditions on London's financial markets. The houses try to hold on to bills at times when interest rates are expected to fall, but wish to sell as much paper as possible when it is feared that rates will rise.

Last week the houses were more than happy to sell bills to the Bank of England, in an attempt to clear the decks for fear of worsening conditions.

On Friday a day-to-day credit shortage of £700m was forecast in the morning. The Bank of England offered early assistance, and at that time took out the entire shortage, buying £714m bills outright in bands 2 and 3 at unchanged rates. Dealers suggested that many houses had already run down their stock of bills, and the authorities were probably happy to buy enough eligible paper in these bands to absorb the full shortage with recourse to band 4 bills.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Sept 26) 3 months U.S. dollars | | 6 months U.S. dollars | |
|---|---|---|---|
| bid 5 13/16 | Offer 6 1/16 | bid 5 13/16 | Offer 6 1/16 |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### BANK OF ENGLAND TREASURY BILL TENDER

| | Sep. 26 | Sep. 19 | | Sep. 26 | Sep. 19 |
|---|---|---|---|---|---|
| Bills on offer | £100m | £100m | Top accepted rate of discount | 9.6865% | 9.6665% |
| Total of applications | £313m | £408m | Average rate of discount | 9.6865% | 9.6665% |
| Total allocated | £100m | £100m | Average yield | 9.93% | 9.91% |
| Minimum accepted bid | £97.585 | £97.59 | Amount on offer at next tender | £100m | £100m |
| Allotment at minimum level | 99% | 100% | | | |

### WEEKLY CHANGE IN WORLD INTEREST RATES

| | Sept. 26 | change | | Sept. 26 | change |
|---|---|---|---|---|---|
| **LONDON** | | | **NEW YORK** | | |
| Base rates | 10 | Unch'd | Prime rates | 7½ | Unch'd |
| 7 day Interbank | 8 13/16 | +1/16 | Federal Funds | 5 13/16 | +1/16 |
| 3 month Interbank | 10⅛ | +3/16 | 3 Mth. Treasury Bills | 5.38 | -0.02 |
| Treasury Bill Tender | 9.6865 | +0.02 | 6 Mth. Treasury Bills | 6.61 | -0.08 |
| Band 1 Bills | 9⅞ | Unch'd | 3 Mth. C D | 5.83 | Unch'd |
| Band 2 Bills | 9 13/16 | Unch'd | **FRANKFURT** | | |
| Band 3 Bills | 9¾ | Unch'd | Lombard | 5.5 | Unch'd |
| Band 4 Bills | 9 11/16 | Unch'd | One mth. Interbank | 4.525 | +0.025 |
| 3 Mth. Treasury Bill | 10½ | +⅛ | Three month | 4.525 | +0.025 |
| 1 Mth. Bank Bills | 10¼ | +⅛ | **PARIS** | | |
| 3 Mth. Bank Bills | 10⅜ | +½ | Intervention Rate | 7.00 | Unch'd |
| **TOKYO** | | | One mth. Interbank | 7 3/16 | Unch'd |
| One months Bills | 4.96875 | +0625 | Three month | 7 5/16 | Unch'd |
| Three months Bills | 4.78125 | Unchanged | **MILAN** | | |
| **BRUSSELS** | | | One month | 10 13/16 | Unch'd |
| One month | 7¼ | Unch'd | Three month | 10 13/16 | 1/16 |
| Three month | 7¼ | Unch'd | **DUBLIN** | | |
| **AMSTERDAM** | | | One month | 10¼ | +¼ |
| One month | 5⅜ | Unch'd | Three month | 11 | +¼ |
| Three month | 6⅜ | Unch'd | | | |

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

### MONEY RATES

**NEW YORK (Lunchtime)**

| | | Treasury Bills and Bonds | | | |
|---|---|---|---|---|---|
| Prime rate | 7½ | One month | 5.12 | Three year | 6.63 |
| Broker loan rate | 6¾-7 | Two month | 5.25 | Four year | 6.86 |
| Fed. funds | 5⅞ | Three month | 5.37 | Five year | 6.97 |
| Fed. funds at intervention | 5⅞ | Six month | 5.59 | Seven year | 7.29 |
| | | One year | 5.74 | 10 year | 7.46 |
| | | Two year | 6.39 | 30 year | 7.64 |

| Sept. 26 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 4.25-4.35 | 4.45-4.60 | 4.45-4.60 | 4.45-4.60 | 4.45-4.60 | 5.5 |
| Paris | 7¼ | 7⅛-7¼ | 7⅛-7¼ | 7⅛-7¼ | 7⅛-7¼ | 7 |
| Zurich | 49½-50½ | 4⅛-4⅜ | — | 4⅛-4⅜ | — | — |
| Amsterdam | 5½-5⅝ | 5⅜-5 7/16 | — | 5¼-5⅜ | — | — |
| Tokyo | 4.78125 | 4.96875 | — | 4.78125 | — | — |
| Milan | 10⅞-11¼ | 10⅜-11 | — | 10⅜-11 | — | — |
| Brussels | 7.45 | 7 3/16-7⅜ | — | 7 3/16-7⅜ | — | — |
| Dublin | 9⅞-9¼ | 10⅛-10⅜ | 10½-10¼ | 10¾-11¼ | 11½-12 | — |

### LONDON MONEY RATES

| Sept. 26 | Over-night | 7 days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank | 1-9 | 8¼-9¼ | 9 13/16-10 3/16 | 10 3/16-10 11/16 | 10¼-10 13/16 | 10⅞-11¼ |
| Sterling CDs. | 7¼ | — | 10-10¼ | 10⅜-10⅜ | 10½-10⅜ | 10⅝-10⅞ |
| Local Authority Deposits | 8½-8⅞ | 8¾-9¼ | 10-10¼ | 10⅛-10⅜ | 10⅝-10⅞ | 10¾-11 |
| Authority Bonds | — | — | 10½ | 10¼ | 11 | 11⅛ |
| Discount Market Deposits | 2-7¼ | 8½-8¼ | 9¼ | 9¾ | — | — |
| Company Deposits | 6-8 | 9½-9¾ | 10⅛-10¼ | 10¼ | 11 | 11⅛ |
| Finance House Deposits | — | — | 10 | 10½ | 10⅞ | 11 |
| Treasury Bills (Buy) | — | — | 10 | 9⅞ | — | — |
| Bank Bills (Buy) | — | — | 10¼ | 10¼-10 5/16 | 10½ | — |
| Fine Trade Bills (Buy) | — | — | 10⅞ | 11 1/16 | 11⅛ | — |
| Dollar CDs. | — | — | 5.95-6.00 | 5.90-5.95 | 5.90-5.95 | 6.10-6.15 |
| SDR Linked Deposits | — | — | 6⅛-6⅜ | 6⅛-6⅜ | 6⅛-6⅜ | 6¼-6⅜ |
| ECU Linked Deposits | — | — | 7¼-7⅜ | 7¼-7⅜ | 7⅛-7⅜ | 7¼-7¼ |

Treasury Bills (sell): one-month 9¼ per cent; three-months 9¾ per cent. Bank Bills (sell): one-month 10-10⅛ per cent; three months 10⅛-10 3/16 per cent. Treasury Bills: Average tender rate at discount 9.6865 per cent. ECGD Fixed Finance Scheme IV reference date August 6 to September 2 (inclusive): 9.890 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from September 1, 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9½ per cent; one-three months 9¾ per cent; three-six months 10 per cent; six-nine months 10¼ per cent; nine-12 months 10¼ per cent. Under £100,000 9½ per cent from September 23. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5½ per cent.





# BANK OF GHANA

## Notice to the Public

## New guidelines on buying and selling of Foreign Exchange

1. With effect from 19th September, 1986, the Bank of Ghana shall operate a new system for determining the exchange rate of the cedi and for the allocation of foreign exchange. This is a two-tier system of exchange which will have an officially determined exchange rate, to be called Window I rate, and an auction-determined exchange rate to be called Window II rate. These two windows will cover mutually exclusive sets of transactions.

The objectives of the new system are:
i) to allow the exchange rate to respond to changes in the demand for and the supply of foreign exchange;
ii) to ensure prompt and timely provision of foreign exchange;
iii) to minimise the use of administrative mechanism in the allocation of foreign exchange;
iv) to promote trade liberalisation through elimination of controls on trade and payments and thereby enhance the volume of external trade; and
v) to attract foreign exchange which is currently held outside the banks into the banking system.

**2. TYPES OF TRANSACTIONS UNDER THE AUCTION**

Transactions that are eligible under the auction, together with their supporting documents are:

a) Payments for imports under letters of credit
Supporting documents required are:
— import licence
— proforma invoice.

b) Payments for merchandise imports in respect of:
i) Bills for Collection
Supporting documents required are:
— Exchange Control Form A1.
— Customs Entry Form
— Customs Final Invoice (commercial invoice).
— Clean Report of Findings.
ii) Drawings under letters of credit
Supporting documents required are:
— Exchange Control Form A1.
— Cable Advice.
iii) Suppliers Credit:
The supporting document required is a letter of approval of terms and conditions of the credit by Supplier Credit Committee.
iv) Others
Supporting documents required are relevant Exchange Control Forms duly approved by Bank of Ghana.

c) Other Transfers
Supporting documents required are relevant Exchange Control Form duly approved by Bank of Ghana.

**3. TRANSACTIONS FOR WHICH BIDDING IS NOT REQUIRED**

a) Direct allocation to government shall be at Window II rate.
b) Persons or organizations wishing to purchase foreign exchange for the following transactions do not need to enter the auction market. Instead, they should apply directly with the relevant supporting documents to their bankers, who will provide the amounts at the prevailing Window II rate.
i) Foreign exchange applications of less than US$500 in respect of any of the transactions eligible under the auction.
ii) Foreign exchange requests to cover the following:
a) Medical Care Abroad:
The supporting document is an approved Exchange Control Form M1.
b) Education:
i) Tuition
The supporting document is an approved Exchange Control Form B1.
ii) Living Allowance:
The supporting document is an approved Exchange Control Form T4.
c) Personal Remittance Quota
The supporting document is either approved Exchange Control form Q1, Q2, or Qs as the case may be.
d) Terminal Benefits
The supporting document is an approved Exchange Control Form C1.

**TIME-TABLE FOR AUCTION WEEK**

For each auction week, the following time-table will be observed:

| | |
|---|---|
| MONDAY—THURSDAY | Collection and completion of application forms, Form FXB1/86 (for a fee of ¢100) and Submission of application forms in sealed envelopes, between 8.30 a.m. and 2.00 p.m. |
| FRIDAY | Conduct of Auction between 9.00 a.m. and 3.00 p.m. |

Any amendment to the time-table for any week will be announced by the Bank of Ghana.

**CONDITIONS FOR THE RELEASE AND USE OF FUNDS**

i) Successful bidders must use the funds won from the auction only for the purpose stated on the application form.
ii) Unless otherwise provided, commercial banks will ensure that settlement takes place within ten (10) working days after the date on which the foreign exchange was transferred from the Bank of Ghana. Furthermore, the commercial banks are to ensure that the payment is for the intended purpose.
iii) All foreign exchange won from the auction and not utilized within the stipulated time period shall be returned to the Bank of Ghana at the exchange rate at which it was acquired.
iv) In respect of a bid for foreign exchange to open a letter of credit, the commercial banks will ensure that the letter of credit is established for the successful bidder within fifteen (15) working days from the day on which funds were released. The letter of credit must have an expiry date of not more than ninety (90) days and the related goods must be shipped within that period. Otherwise, the successful bidder loses the right to use the foreign exchange won.

In circumstances where goods are made to order to be delivered after the ninety (90) day limit, special permission from the Foreign Exchange Auction Committee will have to be obtained.

For further enquiries the public is advised to contact their bankers.